



ANCILLARY SERVICE PROVIDERS GENERAL REQUIREMENTS MODULE



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MODULE	GR:	General Requirements
CHAPTER	GR-A:	Introduction

GR-A.1 Purpose

Executive Summary

GR-A.1.1 Module GR presents a variety of different requirements that are not extensive enough to warrant their own stand-alone Module, but for the most part are generally applicable. These include general requirements on confidentiality, books and records, publication of documents, the distribution of dividends, controllers; close links and on suspension of business. There are also included specific requirements for TPAs and credit reference bureaus. Each set of requirements is contained in its own Chapter.

Legal Basis

GR-A.1.2

This Module contains the Central Bank of Bahrain ('CBB') Directive (as amended from time to time) regarding general 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'). Requirements regarding controllers (see Chapter GR-7) are also included in Regulations, to be issued by the CBB.

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



MODULE	GR: General Requirements
CHAPTER	GR-A: Introduction

GR-A.2 Module History

Evolution of Module

GR-A.2.1 This Module was first issued in April 2016 by the CBB. 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.

GR-A.2.2 A list of recent changes made to this Module is detailed in the table below:

Module Ref.	Change Date	Description of Changes
GR-9.1.8	10/2016	Added a Rule in the Cessation of Business Section to be consistent with other Volumes of the CBB Rulebook.
GR-4.3.8	01/2017	Amended Paragraph reference.
GR-7.1.6	01/2017	Consistency of notification timeline rule on controllers with other Volumes of the CBB Rulebook.
GR-2.2.1	07/2017	Amended paragraph according to the Legislative Decree No. (28) of 2002.
GR-2.2.2	07/2017	Deleted paragraph.
GR-5A.1	10/2017	Added a chapter on "General Requirements for Financing-Based Crowdfunding Platform Operators".
GR-5A.2	10/2017	Additional requirements for "Shari'a - Compliant Financing - Based Crowdfunding Platform Operators".
GR-6.1.3	10/2017	Added additional requirement to submit when requesting no-objection letter for proposed dividends.



MODULE	GR:	General Requirements
CHAPTER	GR-B:	Scope of Application

GR-B.1 Ancillary Service Provider Licensees

GR-B.1.1

Unless otherwise indicated, the requirements in this Module apply to all ancillary service provider licensees, thereafter referred to in this Module as licensees.



MODULE	GR:	General Requirements
CHAPTER	GR-1:	Confidentiality

GR-1.1 General Requirements

GR-1.1.1

Licensees must ensure that any information in their control or custody is not used or disclosed unless:

- (a) They have the customer's or licensee's written consent;
- (b) Disclosure is made in accordance with the licensee's regulatory obligations; or
- (c) The licensee and members of the credit reference bureau are legally obliged to disclose the information in accordance with Article 117 of the CBB Law.

GR-1.1.2

Ancillary service providers must take appropriate steps to ensure the security of any information handled for its customers or held on behalf of other CBB licensees.



MODULE	GR: General Requirements
CHAPTER	GR-2: Books and Records

GR-2.1 General Requirements

GR-2.1.1

In accordance with Article 59 of the CBB Law, all licensees must maintain books and records (whether in electronic or hard copy form) sufficient to produce financial statements and show a complete record of the business undertaken by a licensee. These records must be retained for at least ten years according to Article 60 of the CBB Law.

GR-2.1.2

Paragraph GR-2.1.1 includes accounts, books, files and other records related to client information (e.g. trial balance, general ledger, reconciliations, list of counterparties, etc.). It also includes records that substantiate the value of the assets and liabilities.

GR-2.1.3

Separately, Bahrain Law currently requires other transaction records to be retained for at least five years (see Ministerial Order No. 23 of 2002, Article 5(2), made pursuant to the Amiri Decree Law No. 4 of 2001).

GR-2.1.4

Unless otherwise agreed to by the CBB in writing, records must be kept in either English or Arabic. Any records kept in languages other than English or Arabic must be accompanied by a certified English or Arabic translation. Records must be kept current. The records must be sufficient to allow an audit of the licensee's business or an on-site examination of the licensee by the CBB.

GR-2.1.5

Translations produced in compliance with Rule GR-2.1.4 may be undertaken in-house, by an employee or contractor of the licensee, provided they are certified by an appropriate officer of the licensee.

GR-2.1.6

Records must be accessible at any time from within the Kingdom of Bahrain, or as otherwise agreed with the CBB in writing.

GR-2.1.7

Where older records have been archived, the CBB may accept that records be accessible within a reasonably short time frame (e.g. within 5 business days), instead of immediately. The CBB may also agree similar arrangements where elements of record retention and management have been centralised in another group company, whether inside or outside of Bahrain.

GR-2.1.8

Paragraphs GR-2.1.1 to GR-2.1.7 apply to licensees, with respect to all business activities.



MODULE	GR: General Requirements
CHAPTER	GR-2: Books and Records

GR-2.2 Transaction Records

GR-2.2.1

Licensees must keep completed transaction records for as long as they are relevant for the purposes for which they were made (with a minimum period in all cases of five years from the date when the transaction was terminated). Records of terminated transactions must be kept whether in hard copy or electronic format as per the Legislative Decree No.(28) of 2002 with respect to Electronic Transactions “The Electronic Transaction Law” and its amendments.

GR-2.2.2 [This Paragraph has been deleted in July 2017].

GR-2.2.3

Rule GR-2.2.1 applies only to transactions relating to business booked in Bahrain by the licensee.



MODULE	GR: General Requirements
CHAPTER	GR-2: Books and Records

GR-2.3 Other Records

Corporate Records

GR-2.3.1

Licensees must maintain the following records in original form or in hard copy at their premises in Bahrain:

- (a) Internal policies, procedures and operating manuals;
- (b) Corporate records, including minutes of shareholders', Directors' and management meetings;
- (c) Correspondence with the CBB and records relevant to monitoring compliance with CBB requirements;
- (d) Reports prepared by the licensee's internal and external auditors; and
- (e) Employee records.

Customer Records

GR-2.3.2 Record-keeping requirements with respect to customer records, including customer identification and due diligence records, are contained in Module FC (Financial Crime).



MODULE	GR: General Requirements
CHAPTER	GR 3: Publication of Documents by the Licensee

GR-3.1 General Requirements

GR-3.1.1

Any written communication, including stationery, business cards or other business documentation published by the licensee, or used by its employees must include a statement that the licensee is regulated by the Central Bank of Bahrain, the type of license and the legal status.



MODULE	GR:	General Requirements
CHAPTER	GR-4:	General Requirements for TPAs

GR-4.1 Compensation

GR-4.1.1

A TPA's compensation may be determined:

- (a) As a percentage of the claims processed by the TPA; or
- (b) On another basis as specified in the written agreement.



MODULE	GR: General Requirements
CHAPTER	GR-4: General Requirements for TPAs

GR-4.2 Code of Conduct

GR-4.2.1

TPAs are allowed to enter into agreement with more than one:

- (a) Insurance firm; and/or
- (b) A self-funded scheme outside of Bahrain.

GR-4.2.2

TPAs must not charge any kind of fees to the claimants/policyholders.

GR-4.2.3

TPAs must not market or sell insurance nor own any part of a healthcare facility or company.

GR-4.2.4

Where a TPA owns any part of a healthcare facility or company at the time this Module is issued, it will be permitted to retain its ownership in the company.

GR-4.2.5

TPAs must act in the insurance firm's and/or self-funded scheme's (limited to outside Bahrain) best interests at all times and must fulfill their needs to the best of their ability.

GR-4.2.6

TPAs must improve the skills of their employees and increase their knowledge through continuing education and training.

GR-4.2.7

TPAs must disclose to the existing and prospective insurance firm and/or self-funded scheme (limited to outside Bahrain) any and all information that may affect the TPA's ability to provide services and/or advice to the clients.

GR-4.2.8

TPAs must ensure that all funds collected and/or held by the TPA are used for the express purpose for which the funds are collected and/or held as understood by the insurance firm and/or self-funded scheme (limited to outside Bahrain).

GR-4.2.9

TPAs must fully disclose to each insurance firm and/or self-funded scheme (limited to outside Bahrain) the terms of engagement and the services to be rendered to that client.



MODULE	GR: General Requirements
CHAPTER	GR-4: General Requirements for TPAs

GR-4.3 Segregation of Funds

GR-4.3.1

All funds remitted to a TPA by an insurance firm and/or self-funded scheme (limited to outside Bahrain) must be held by the TPA in a separate account maintained in the name of the insurance firm and/or self-funded scheme (limited to outside Bahrain) or in a separate account maintained jointly in the names of the insurance firm and/or self-funded scheme (limited to outside Bahrain) and the TPA.

GR-4.3.2

When funds are collected by a TPA from a healthcare provider on behalf of an insurance firm and/or self-funded scheme (limited to outside Bahrain), such funds must be promptly deposited in a separate account maintained in the name of the insurance firm and/or self-funded scheme (limited to outside Bahrain) or an account maintained jointly in the names of the insurance firm and/or self-funded scheme (limited to outside Bahrain) and the TPA, or remitted to the insurance firm and/or self-funded scheme (limited to outside Bahrain), as provided for in the agreement.

GR-4.3.3

When an account is held jointly in the names of the insurance firm and/or self-funded scheme (limited to outside Bahrain) and the TPA, the TPA must provide the insurance firm and/or self-funded scheme (limited to outside Bahrain) on a monthly basis a record of all transactions in the joint account.

GR-4.3.4

Funds must not be commingled with any other funds of the TPA nor other insurance firm and/or self-funded scheme (limited to outside Bahrain) of the TPA. Records of a TPA must clearly show funds received and paid out allocated per insurance firm and/or self-funded scheme (limited to outside Bahrain) and must be made available to the insurance firm and/or self-funded scheme (limited to outside Bahrain) upon request.

GR-4.3.5

An insurance firm and/or self-funded scheme (limited to outside Bahrain) shall have the responsibility to make available to the TPA funds necessary to enable the TPA to pay claims in a timely manner, as provided in the agreement.

GR-4.3.6

TPAs must process and settle claims of the policyholder/claimant within 15 calendar days from the receipt of all necessary documents.



MODULE	GR: General Requirements
CHAPTER	GR-4: General Requirements for TPAs

GR-4.3 Segregation of Funds (continued)

GR-4.3.7 TPAs must process and settle claims from healthcare service providers within 30 calendar days from the receipt of all necessary documents from the healthcare service providers.

GR-4.3.8 TPAs must comply with Paragraphs GR-4.3.6 and GR-4.3.7 by 30th September 2016 at the latest.



MODULE	GR:	General Requirements
CHAPTER	GR-4:	General Requirements for TPAs

GR-4.4 Content of Written Agreement

GR-4.4.1

A TPA must not conduct any business with an insurance firm and/or self-funded scheme (limited to outside Bahrain) in the absence of a written agreement between the TPA and the insurance firm and/or self-funded scheme (limited to outside Bahrain). The agreement must be retained as part of the official records of the TPA for the duration of the agreement.

GR-4.4.2

The agreement referred to in Paragraph GR-4.4.1 must include at a minimum:

- (a) The services to be provided by the TPA on behalf of the insurance firm and/or self-funded scheme (limited to outside Bahrain);
- (b) Financial arrangements;
- (c) Provisions setting forth the respective liability of the insurance firm and/or self-funded scheme (limited to outside Bahrain) and the TPA for the accuracy and eligibility of submitted claims, and for the prompt submission of claims; and
- (d) The responsibilities of the TPA to the insurance firm and/or self-funded scheme (limited to outside Bahrain) with respect to the maintenance of appropriate back-up systems against the loss of records, and the maintenance of appropriate insurance coverage by the TPA against the risk of loss.



MODULE	GR:	General Requirements
CHAPTER	GR-4:	General Requirements for TPAs

GR-4.5 Prohibition of Collection of Premiums/Contributions

GR-4.5.1

TPAs are prohibited from collecting premiums/contributions from policyholders. Premiums/contributions must be paid directly by the policyholders to insurance firms.



MODULE	GR:	General Requirements
CHAPTER	GR-5:	General Requirements for Credit Reference Bureaus

GR-5.1 Code of Conduct

GR-5.1.1

Credit reference bureaus must comply with the provisions of the Bahrain Credit Reference Bureau Code of Practice (Appendix CM-3 under Volumes 1 and 2 of the CBB Rulebook) which dictates the code of conduct to be followed by credit reference bureaus.



MODULE	GR: General Requirements
CHAPTER	GR-5A: General Requirements for Financing-Based Crowdfunding Platform Operators

GR-5A.1 General Requirements for Financing-Based Crowdfunding Platform Operators

GR-5A.1.1 A crowdfunding platform operator must become a member of the Bahrain Credit Reference Bureau.

GR-5A.1.2 A crowdfunding platform operator must make arrangements with a local retail bank (which holds the appropriate CBB license) to facilitate transactions, whereby:

- i. Lenders must prefund the full committed amount by depositing it at the designated licensed retail bank in the Kingdom of Bahrain. The name of the retail bank must be disclosed to the CBB; and
- ii. The crowdfunding platform operator must designate an escrow account as an aggregate account for all borrowers. The crowdfunding platform operator must maintain within its records separate sub-accounts for each borrower. The name of the designated bank must be provided to the lenders.

GR-5A.1.3 Crowdfunding platform operators must make sure that the lending thresholds and the prescribed tenors for the loans, as prescribed in GR-5A.1.3 to GR-5A.1.6, are all met.

GR-5A.1.4 Under a crowdfunding agreement, the amount of credit provided must be less than or equal to BD 100,000 in aggregate, per borrower, within a 12-month period. Additionally, the tenor of loans must not exceed 5 years.

GR-5A.1.5 Under a crowdfunding agreement, lenders are restricted to lending not more than 10% of their net assets to any single borrower. All lenders intending to participate in a crowdfunding platform must fill out the 'Self Declaration Form' declaring that they meet this requirement.

GR-5A.1.6 The minimum subscription to be received in a crowdfunding offer must not be less than 80% of the crowdfunding offer size. In the event that the borrower is unable to receive the minimum required loan subscription, all subscription monies received must be refunded to the lenders no later than 7 calendar days of the closing date of the crowdfunding offer.



MODULE	GR:	General Requirements
CHAPTER	GR-5A:	General Requirements for Financing-Based Crowdfunding Platform Operators

GR-5A.1 General Requirements for Financing-Based Crowdfunding Platform Operators (continued)

GR-5A.1.7 In case of over-subscription, crowdfunding platform operator must ensure that no funding shall be made to the borrower in excess of the original offer size. Also, the lenders must get proportionate share of the Crowdfunding offer size.

GR-5A.1.8 The lender in a crowdfunding agreement has to be an Accredited or Expert individual (as defined in the CBB Rulebook), while the borrower must be a small or medium sized business (SME) with paid-up capital not exceeding BD 250,000.

GR-5A.1.9 Crowdfunding platform operator are responsible to check that the 'Self-Declaration' form¹ has been signed and submitted by the lenders, prior to investing in borrowings arranged through the platform.

GR-5A.1.10 The 'Self-Declaration Form' must include, amongst other things, a declaration that the lender will meet the lending thresholds imposed by the CBB and an acknowledgment that they may lose all or part of their funds invested.

GR-5A.1.11 Crowdfunding platform operator must demonstrate to the CBB that they have devised appropriate consumer protection standards.

GR-5A.1.12 Crowdfunding platform operator must ensure that sufficient information is available to lenders on the profiles of the borrowers, by relying on the information disclosed by the borrowers in the 'Standard Forms for Borrowers' and the related required documents to be submitted by the borrowers, thus allowing lenders to make informed lending decisions. Moreover, the documentation must state the governing law for the financing transaction. The disclosure of such information shall be on standard CBB-prescribed templates. Additionally, such information must be provided to potential lenders before they agree to commit to lending. In cases where the borrower is not based in the Kingdom of Bahrain, adequate disclosure on the governing law and cross-border risks must be provided to the potential lenders.

GR-5A.1.13 It is the responsibility of the lenders to perform their own creditworthiness assessments on the borrowers and other related due diligence before making any commitment to lend.



MODULE	GR:	General Requirements
CHAPTER	GR-5A:	General Requirements for Financing-Based Crowdfunding Platform Operators

GR-5A.1 General Requirements for Financing-Based Crowdfunding Platform Operators (continued)

GR-5A.1.14 Crowdfunding platform operator must comply with the Financial Crime Module of Rulebook Volume 5 under ‘Common Modules’ with respect to Anti-Money Laundering and Combating the Financing of Terrorism requirements.

GR-5A.1.15 Crowdfunding platform operator must establish effective systematic internal procedures for establishing and verifying the identity of lenders and the source of their funds. They must undertake lender due diligence (‘KYC’) by requiring them to fill out the ‘Standard Lender Form’, along with submitting the required related documents, including FATCA report.

GR-5A.1.16 The “Standard Lender Form” referred to in Paragraph GR-5A.1.15 shall be provided by the CBB under Part B of Rulebook Volume 5 (Ancillary Service Providers).

GR-5A.1.17 Crowdfunding platform operators must establish a framework which sets out policies and procedures to effectively and efficiently manage conflicts of interest. Such conflicts must be managed in a timely manner.

GR-5A.1.18 Crowdfunding platform operators must have a fair dealing policy for excluding a borrower from using the crowdfunding platform if there is adequate reason to believe that the borrower, in relation to any loan arrangements, has:

- i. Engaged in a conduct that is misleading or deceptive or likely to mislead or deceive; or
- ii. Made a false or misleading representation; or
- iii. Made an unsubstantiated representation.

GR-5A.1.19 Crowdfunding platform operators are responsible for tracking the performance of the loan portfolios and are required to disclose this information to the lenders and the CBB on a quarterly basis as per the templates to be specified by the CBB. The information provided by the Crowdfunding Platform Operators must be clear, fair, relevant and not misleading.



MODULE	GR:	General Requirements
CHAPTER	GR-5A:	General Requirements for Financing-Based Crowdfunding Platform Operators

GR-5A.1 General Requirements for Financing-Based Crowdfunding Platform Operators (continued)

GR-5A.1.20 Crowdfunding platform operators are responsible for having Business Continuity and Disaster Recovery plans in place, which must be approved by the CBB, to ensure that all existing outstanding loans will continue to be administered if the platform collapses or goes out of business.

GR-5A.1.21 The CBB has the right to impose additional requirements on Crowdfunding Platform Operators, as and when it deems necessary.

GR-5A.1.22 Crowdfunding platform operators must clearly and publicly disclose their fees, charges and commissions.

GR-5A.1.23 Crowdfunding platform operators must have adequate financial resources to run their business and take on the needed risks.

GR-5A.1.24 Crowdfunding platform operators must have adequate non-financial resources (e.g. efficient management with sufficient knowledge of the business and adequate experience, IT strategy, controls and systems, etc.) required to run the business.

GR-5A.1.25 Crowdfunding platform operators must ensure cyber-security at all times including conducting IT security penetration testing semi-annually by an independent consultant.

GR-5A.1.26 Crowdfunding platform operators must maintain relevant systems in place for mitigating and managing operational and other risks.

GR-5A.1.27 Crowdfunding platform operators are obliged to exert their best efforts in following up the repayment process (collection of installments) from the borrowers on behalf of the lenders.

GR-5A.1.28 A crowdfunding platform operator must ensure that its officers, employees and their family members do not carry the following activities through the crowdfunding platform:

- (a) Lend money or provide finance to a borrower;
- (b) Borrow money from a lender; or
- (c) Hold any direct or indirect interest in the capital or voting rights of a borrower or lender.



MODULE	GR:	General Requirements
CHAPTER	GR-5A:	General Requirements for Financing-Based Crowdfunding Platform Operators

GR-5A.1 General Requirements for Financing-Based Crowdfunding Platform Operators (continued)

- GR-5A.1.29** A crowdfunding platform operator itself may lend money to borrowers, who use the platform subject to:
- i. Obtaining the required license from the CBB for carrying financial services of providing credit; and
 - ii. Adequate disclosure of the conflicts of interest which will arise for each transaction on their website.



MODULE	GR:	General Requirements
CHAPTER	GR-5A:	General Requirements for Financing-Based Crowdfunding Platform Operators

GR-5A.2 Additional Requirements for Shari'a-Compliant Financing – Based Crowdfunding Platform Operators

GR-5A.2.1 In addition to the requirements stipulated in Section GR-5A.1, Shari'a-compliant crowdfunding platform operators must comply with the requirements in this section.

GR-5A.2.2 Financing transactions arranged and introduced through a Shari'a-compliant crowdfunding platform operator must be Shari'a-compliant in nature. This means that the financing must be done based on a Shari'a-compliant financing contract (such as Murabaha, Ijarah, Salam, Istisna'a, etc.).

GR-5A.2.3 Shari'a-compliant crowdfunding platform operators must make arrangements with a local Islamic retail bank (which holds the appropriate CBB license) to facilitate transactions.

GR-5A.2.4 Shari'a-compliant crowdfunding platform operators must make an arrangement with one independent Shari'a Scholar to monitor, review and verify that the crowdfunding transactions, including documentation, structuring, financing as well as other administrative, marketing and operational matters are in full compliance with Shari'a rules and principles. The Shari'a Scholar to be appointed must fulfill the eligibility criteria outlined in the CBB's Shari'a Governance module.

GR-5A.2.5 The name of the Shari'a Scholar appointed, along with his brief profile, must be disclosed to the public.

GR-5A.2.6 For the purpose of Paragraph GR-5A.2.5, the Shari'a-compliant crowdfunding platform operators may use the services of a third party Shari'a advisory firm on an outsourced basis. The name of the outsourced Shari'a advisory firm, along with its credentials, must be disclosed to the public.

GR-5A.2.7 The Fatwa of the Shari'a Scholar/Shari'a Advisory firm, confirming that the crowdfunding transaction is in full compliance with Shari'a rules and principles, must be made available to financiers/investors before the crowdfunding transaction offer in order to enable them to make an informed decision.



MODULE	GR: General Requirements
CHAPTER	GR-6: Dividends

GR-6.1 CBB Non-Objection

GR-6.1.1

Licensees must obtain a letter of no-objection from the CBB to any dividend proposed, before announcing the proposed dividend by way of press announcement or any other means of communication and prior to submitting a proposal for a distribution of profits to a shareholder vote.

GR-6.1.2

The CBB will grant a no-objection letter where it is satisfied that the level of dividend proposed is unlikely to leave the licensee vulnerable – for the foreseeable future – to breaching the CBB’s capital requirements, taking into account (as appropriate) the licensee’s liquidity.

GR-6.1.3

To facilitate the prior approval required under Paragraph GR-6.1.1, licensees must provide the CBB with:

- (a) The licensee’s intended percentage and amount of proposed dividends for the year;
- (b) A letter of no objection from the licensee’s external auditor on such profit distribution; and
- (c) A detailed analysis of the impact of the proposed dividend on the capital requirements outlined in Section AU-2.5 and liquidity position of the licensee.



MODULE	GR:	General Requirements
CHAPTER	GR-7:	Controllers

GR-7.1 Key Provisions

GR-7.1.1 Licensees must obtain prior written approval from the CBB for any changes to their controllers (as defined in Section GR-7.2):

GR-7.1.2 Condition 3 of the CBB's licensing conditions specifies, among other things, that licensees must satisfy the CBB that their controllers are suitable and pose no undue risks to the licensee (See Paragraph AU-2.3.1). There are also certain procedures which are set out in Articles 52 to 56 of the CBB Law on controllers.

GR-7.1.3 Applicants for a license must provide details of their controllers, by submitting a duly completed Form 2 (Application for Authorisation of Controller). (See sub-Paragraph AU-4.1.4(a)).

GR-7.1.4 Where a controller is a legal person, the controller must notify the CBB of any change in its shareholding at the earlier of:

- When the change takes effect; and
- When the controller becomes aware of the proposed change.

GR-7.1.5 For approval under Paragraph GR-7.1.1 to be granted, the CBB must be satisfied that the proposed controller or increase in control poses no undue risks to the licensee or the financial system. The CBB may impose any restrictions that it considers necessary to be observed where approval is given for a new or a change in controller. . A duly completed Form 2 (Controllers) must be submitted as part of the request for a change in controllers. An approval of controller will specify the applicable period for effecting the proposed acquisition of shares.

GR-7.1.6 If, as a result of circumstances outside the licensee's knowledge and/or control, a change in controller is triggered prior to CBB approval being sought or obtained, the licensee must notify the CBB no later than 15 calendar days on which those changes have occurred.

GR-7.1.7 The approval provisions outlined above do not apply to existing holdings or existing voting control by controllers already approved by the CBB. The approval provisions apply to new/prospective controllers or to increases in existing holdings/voting control.



MODULE	GR: General Requirements
CHAPTER	GR-7: Controllers

GR-7.1 Key Provisions (continued)

GR-7.1.8 Licensees are required to notify the CBB as soon as they become aware of events that are likely to lead to changes in their controllers.

GR-7.1.9 The criteria by which the CBB assesses the suitability of controllers are set out in Section GR-7.3. The CBB aims to respond to requests for approval within 30 calendar days and is obliged to reply within 3 months to a request for approval. The CBB may contact references and supervisory bodies in connection with any information provided to support an application for controller. The CBB may also ask for further information, in addition to that provided in Form 2, if required to satisfy itself as to the suitability of the applicant.

GR-7.1.10 Licensees must submit, within 3 months of their financial year-end, a report on their controllers (See Subparagraph BR-1.1.3(d)). This report must identify all controllers of the licensee, as defined in Section GR-7.2, the extent of their shareholding interests and any change in their legal status or any adverse information on the controllers.



MODULE	GR: General Requirements
CHAPTER	GR-7: Controllers

GR-7.2 Definition of Controller

GR-7.2.1

A controller of a licensee is a natural or legal person who either alone, or with his associates:

- (a) Holds 10% or more of the shares in the licensee (“L”), or is able to exercise (or control the exercise of) 10% or more of the voting power in L;
- (b) Holds 10% or more of the shares in a parent undertaking (“P”) of L, or is able to exercise (or control the exercise of) 10% or more of the voting power in P; or
- (c) Is able to exercise significant influence over the management of L or P.

GR-7.2.2

For the purposes of Paragraph GR-7.2.1, “associate” includes:

- (a) The spouse, son(s) or daughter(s) of a controller;
- (b) An undertaking of which a controller is a director;
- (c) A person who is an employee or partner of the controller; and
- (d) If the controller is a corporate entity, a director of the controller, a subsidiary of the controller, or a director of any subsidiary undertaking of the controller.

GR-7.2.3

Associate also includes any other person or undertaking with which the controller has entered into an agreement or arrangement as to the acquisition, holding or disposal of shares or other interests in the licensee, or under which they undertake to act together in exercising their voting power in relation to the licensee.



MODULE	GR: General Requirements
CHAPTER	GR-7: Controllers

GR-7.3 Suitability of Controllers

GR-7.3.1

All new controllers or prospective controllers (as defined in Section GR-7.2) of a licensee must obtain the prior written approval of the CBB. Any increases to existing controllers' holdings or voting control must also have prior written approval from the CBB and are subject to the conditions outlined in this Section. Such changes in existing controllers (as defined in the Section GR-7.2) or new/prospective controllers of a licensee must satisfy the CBB of their suitability and appropriateness. The CBB will issue an approval notice or notice of refusal of a controller according to the approval process outlined in Section GR-7.4.

GR-7.3.2

All controllers or prospective controllers (whether natural or legal persons) of all licensees are subject to the approval of the CBB. Persons who intend to take ownership stakes of 10% or above of the voting capital of a licensee are subject to enhanced scrutiny, given the CBB's position as home supervisor of such licensees. The level of scrutiny and the criteria for approval become more onerous as the level of proposed ownership increases.



MODULE	GR: General Requirements
CHAPTER	GR-7: Controllers

GR-7.3 Suitability of Controllers (continued)

- GR-7.3.3 In assessing the suitability and the appropriateness of new/prospective controllers (and existing controllers proposing to increase their shareholdings) who are natural persons, the CBB has regard to their professional and personal conduct, including, but not limited to, the following:
- (a) The propriety of a person's conduct, whether or not such conduct resulted in conviction for a criminal offence, 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 fraud, misfeasance or other misconduct in connection with the formation or management of a corporation or partnership;
 - (d) Whether the person has been the subject of any disciplinary proceeding by any government authority, regulatory agency or professional body or association;
 - (e) The contravention of any financial services legislation or regulation;
 - (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) Disqualification by a court, regulator or other competent body, as a Director or as a manager of a corporation;
 - (i) 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 or managers have been declared bankrupt whilst the person was connected with that partnership or corporation;
 - (j) The extent to which the person has been truthful and open with regulators;
 - (k) Whether the person has ever been adjudged bankrupt, entered into any arrangement with creditors in relation to the inability to pay due debts, or failed to satisfy a judgement debt under a court order or has defaulted on any debts;
 - (l) The person's track record as a controller of, or investor in financial institutions;
 - (m) The financial resources of the person and the likely stability of their shareholding;
 - (n) Existing Directorships or ownership of more than 20% of the capital or voting rights of any financial institution in the Kingdom of Bahrain or elsewhere, and the potential for conflicts of interest that such Directorships or ownership may imply;
 - (o) The legitimate interests of creditors and minority shareholders of the licensee;
 - (p) If the approval of a person as a controller is or could be detrimental to the subject licensee, Bahrain's banking and financial sector or the national interests of the Kingdom of Bahrain; and
 - (q) Whether the person is able to deal with existing shareholders and the board in a constructive and co-operative manner.



MODULE	GR: General Requirements
CHAPTER	GR-7: Controllers

GR-7.3 Suitability of Controllers (continued)

- GR-7.3.4 In assessing the suitability and appropriateness of legal persons as controllers (wishing to increase their shareholding) or new/potential controllers, the CBB has regard to their financial standing, judicial and regulatory record, and standards of business practice and reputation, including, but not limited to, the following:
- (a) The financial strength of the person, its parent(s) and other members of its group, its implications for the licensee and the likely stability of the person's shareholding;
 - (b) Whether the person or members of its group have ever entered into any arrangement with creditors in relation to the inability to pay due debts;
 - (c) The person's jurisdiction of incorporation, location of head office, group structure and connected counterparties and the implications for the licensee as regards effective supervision of the licensee and potential conflicts of interest;
 - (d) The person's (and other group members') propriety and general standards of business conduct, including the contravention of any laws or regulations including financial services legislation on regulations, or the institution of disciplinary proceedings by a government authority, regulatory agency or professional body;
 - (e) Any adverse finding in a civil action by any court or competent jurisdiction, relating to fraud, misfeasance or other misconduct;
 - (f) Any criminal actions instigated against the person or other members of its group, whether or not this resulted in an adverse finding;
 - (g) The extent to which the person or other members of its group have been truthful and open with regulators and supervisors;
 - (h) Whether the person has ever been refused a licence, authorisation, registration or other authority;
 - (i) The person's track record as a controller of, or investor in financial institutions;
 - (j) The legitimate interests of creditors and shareholders of the licensee;
 - (k) Whether the approval of a controller is or could be detrimental to the subject licensee, Bahrain's financial sector or the national interests of the Kingdom of Bahrain;
 - (l) Whether the person is able to deal with existing shareholders and the board in a constructive manner; and
 - (m) Existing Directorships or ownership of more than 20% of the capital or voting rights of any financial institution in the Kingdom of Bahrain or elsewhere, and the potential for conflicts of interest that such Directorships or ownership may imply.



MODULE	GR: General Requirements
CHAPTER	GR-7: Controllers

GR-7.4 Approval Process

- GR-7.4.1 Within 3 months of receipt of an approval request under Paragraph GR-7.1.1, the CBB will issue an approval notice (with or without restrictions) or a written notice of refusal if it is not satisfied that the person concerned is suitable to increase his shareholding in, or become a controller of the licensee. The notice of refusal or notice of approval with conditions will specify the reasons for the objection or restriction and specify the applicant's right of appeal in either case. Where an approval notice is given, it will specify the period for which it is valid and any conditions that attach. These conditions will include the maximum permitted limit of holding or voting control exercisable by the controller.
- GR-7.4.2 Notices of refusal have to be approved by an Executive Director of the CBB. The applicant has 30 calendar days from the date of the notice in which to make written representation as to why his application should not be refused. The CBB then has 30 calendar days from the date of receipt of those representations to reconsider the evidence submitted and make a final determination, pursuant to Article 53 of the Central Bank of Bahrain and Financial Institutions Law (Decree No. 64 of 2006) ("CBB Law") and Module EN (Enforcement).
- GR-7.4.3 Pursuant to Article 56 of the CBB Law, where a person has become a controller by virtue of his shareholding in contravention of Paragraph GR-7.1.1, or a notice of refusal has been served to him under Paragraph GR-7.4.1 and the period of appeal has expired, the CBB may, by notice in writing served on the person concerned, direct that his shareholding shall be transferred or until further notice, no voting right shall be exercisable in respect of those shares.
- GR-7.4.4 Article 56 of the CBB Law empowers the CBB to take appropriate precautionary measures, or sell such shares mentioned in Paragraph GR-7.4.3, if the licensee fails to carry out the order referred to in the preceding Paragraph.



MODULE	GR: General Requirements
CHAPTER	GR-8: Close Links

GR-8.1 Key Provisions

GR-8.1.1 Condition 3 of the CBB's licensing conditions specifies, amongst other things, that licensees must satisfy the CBB that their close links do not prevent the effective supervision of the licensee and otherwise pose no undue risks to the licensee. (See Paragraph AU-2.3.1).

GR-8.1.2 Applicants for a license must provide details of their close links, as provided for under Form 1 (Application for a License). (See Paragraph AU-4.1.1).

GR-8.1.3 Licensees must submit to the CBB, within 3 months of their financial year-end, a report on their close links (See Subparagraph BR-1.1.3(b)). The report must identify all undertakings closely linked to the licensee, as defined in Section GR-8.2.

GR-8.1.4 Licensees may satisfy the requirement in Paragraph GR-8.1.3 by submitting a corporate structure chart, identifying all undertakings closely linked to the licensee.

GR-8.1.5 Licensees must provide information on undertakings with which they are closely linked, as requested by the CBB.



MODULE	GR: General Requirements
CHAPTER	GR-8: Close Links

GR-8.2 Definition of Close Links

GR-8.2.1

A licensee ('L') has close links with another undertaking ('U'), if:

- (a) U is a parent undertaking of L;
- (b) U is a subsidiary undertaking of L;
- (c) U is a subsidiary undertaking of a parent undertaking of L;
- (d) U, or any other subsidiary undertaking of its parent, owns or controls 20% or more of the voting rights or capital of L; or
- (e) L, any of its parent or subsidiary undertakings, or any of the subsidiary undertakings of its parent, owns or controls 20% or more of the voting rights or capital of U.



MODULE	GR:	General Requirements
CHAPTER	GR-8:	Close Links

GR-8.3 Assessment Criteria

GR-8.3.1 In assessing whether a licensee's close links may prevent the effective supervision of the licensee, or otherwise poses no undue risks to the licensee, the CBB takes into account the following:

- (a) Whether the CBB will receive adequate information from the licensee, and those with whom the licensee has close links, to enable it to determine whether the licensee is complying with CBB requirements;
- (b) The structure and geographical spread of the licensee, its group and other undertakings with which it has close links, and whether this might hinder the provision of adequate and reliable flows of information to the CBB, for instance because of operations in territories which restrict the free flow of information for supervisory purposes; and
- (c) Whether it is possible to assess with confidence the overall financial position of the group at any particular time, and whether there are factors that might hinder this, such as group members having different financial year ends or auditors, or the corporate structure being unnecessarily complex and opaque.



MODULE	GR: General Requirements
CHAPTER	GR-9: Cessation of Business

GR-9.1 CBB Approval

GR-9.1.1

As specified in Article 50 of the CBB Law, a licensee wishing to cease to provide or suspend any or all of the licensed regulated services of its operations and/or liquidate its business must obtain the CBB's prior approval.

GR-9.1.2

Licensees must notify the CBB in writing at least six months in advance of their intended suspension of any or all the licensed regulated services or cessation of business, setting out how they propose to do so and, in particular, how they will treat any of their liabilities.

GR-9.1.3

If the licensee wishes to liquidate its business, the CBB will revise its license to restrict the firm from entering into new business. The licensee must continue to comply with all applicable CBB requirements until such time as it is formally notified by the CBB that its obligations have been discharged and that it may surrender its license.

GR-9.1.4

A licensee in liquidation must continue to meet its contractual and regulatory obligations to its clients and creditors.

GR-9.1.5

Once the licensee believes that it has discharged all its remaining contractual obligations to clients and creditors, it must publish a notice in two national newspapers in Bahrain approved by the CBB (one being in English and one in Arabic), stating that it has settled all its dues and wishes to leave the market. According to Article 50 of the CBB Law, such notice shall be given after receiving the approval of the CBB, not less than 30 days before the actual cessation is to take effect.

GR-9.1.6

The notice referred to in Paragraph GR-9.1.5 must include a statement that written representations concerning the liquidation may be sent to the CBB before a specified day, which shall not be later than thirty days after the day of the first publication of the notice. The CBB will not decide on the application until after considering any representations made to the CBB before the specified day.

GR-9.1.7

If no objections to the liquidation are upheld by the CBB, then the CBB may issue a written notice of approval for the surrender of the license.



MODULE	GR:	General Requirements
CHAPTER	GR-9:	Cessation of Business

GR-9.1 CBB Approval (continued)

GR-9.1.8

Upon satisfactorily meeting the requirements set out in GR-9.1, the licensees must surrender the original license certificate issued by the Licensing & Policy Directorate at the time of establishment, and submit confirmation of the cancellation of its commercial registration from the Ministry of Industry, Commerce and Tourism.