



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 financing company 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 financing company licensees.

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

- (a) Principles of Business;
- (b) Public Disclosure;
- (c) Risk Management;
- (d) Financial Crime;
- (e) Capital Adequacy;
- (f) High-Level Controls;
- (g) Business Conduct; and
- (h) 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 financing company 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.1.5 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 January 2013. 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-1.5.1	04/2013	Clarified deadline to update IIS.
BR-2.3.9	04/2013	Corrected cross reference.
BR-2.3.10	04/2013	Aligned with requirements of Article 57 of the CBB Law.
BR-1.1.2 and BR-3.5.11	07/2013	Amended numbering of referred appendix.
BR-1.2.2	01/2014	Clarified format of interim financial statements.
BR-1.3.5	01/2014	Added liquidity reporting requirements.
BR-1.6	01/2014	Added new Section on Internet Security Measures.



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 financing company 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-1.1.2 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) Audited financial statements of all subsidiaries (whether or not consolidated) along with their management letters;
- (c) The financing company's group structure and the internal organisation chart;
- (d) A list of non-performing and rescheduled credit facilities (including name of customer, country, amount outstanding, net interest income/ profit for the year attributed to profit & loss and the reasons for attributing interest/ profit to income);
- (e) A reconciliation statement between the audited financial statements and the relevant prudential returns;
- (f) The report on controllers as required under Paragraph GR-4.1.10;
- (g) A report on the licensee's close links as required under Paragraph GR-5.1.3;
- (h) Report on corporate governance framework attached to the year-end PIRF (or PIRCC) (see Appendix BR-9); and
- (i) Any supplementary information as required by the CBB.

BR-1.1.3 In accordance with the provisions of Section AA-4.1, the audited financial statements and the annual reports of the licensees must be in full compliance with:

- (a) The International Financial Reporting Standards (IFRS); or
- (b) AAOIFI Financial Accounting Standards for Sharia Compliant Financing Companies and for products and activities not covered by AAOIFI, International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) must be followed; and
- (c) The disclosure requirements set out under Sections PD-1.2, PD-1.3 and PD-1.4.

Annual Report

BR-1.1.4 Licensees must submit their full printed annual report to the CBB within 4 months of the end of their financial year (See PD-1.2.6).



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

BR-1.2 Interim Financial Statements

BR-1.2.1

Licensees that are listed companies are required to submit to the CBB reviewed (unaudited) quarterly financial statements in accordance with the requirements outlined in Volume 6 (Capital Markets).

BR-1.2.2

Licensees that are non-listed companies are required to submit to the CBB reviewed (unaudited) semi-annual financial statements on a semi-annual basis, within two months of the date of these statements. The semi-annual financial statements are to be presented in accordance with IFRS and/or AAOIFI (for sharia-compliant licensees).

BR-1.2.3

The statements mentioned under Paragraphs BR-1.2.1 and BR-1.2.2 must be in compliance with the requirements set out under Section PD-2.1.



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

BR-1.3 Quarterly Prudential Requirements

PIRF/PIRCC

BR-1.3.1 All licensees must complete the applicable PIR forms (see Appendix BR-1, BR-2 or BR-4 under Part B of Volume 5 for financing companies). This form is intended to be a financial report of the licensee as a separate legal entity. Licensees must include all assets and liabilities of their head office and their branches in Bahrain (if any) and abroad (and subsidiaries, where applicable). Separate figures in respect of the head office or 'Bahrain operations' are not required.

BR-1.3.2 The PIR forms referred to under Paragraph BR-1.3.1 must be submitted to the CBB on a quarterly basis within 20 calendar days of the end of the reporting date.

BR-1.3.3 The CBB requires all licensees to request their external auditor to conduct a review of the prudential return on a quarterly basis. The results of such review (in the form of an Agreed Upon Procedures report as shown in Appendix BR-6) must be submitted to the CBB's relevant supervision Directorate no later than 2 months from the end of the subject quarter. A licensee may apply for an exemption from this requirement provided that it meets the criteria set out under Paragraph BR-1.3.4.

BR-1.3.4 Licensees which demonstrate to the satisfaction of the CBB that they have fulfilled all of the CBB's requirements with regard to Prudential Returns for at least two consecutive quarters may apply (in writing) to the CBB for an exemption from the review procedure set out in Paragraph BR-1.3.3. Such exemption may be withdrawn by the CBB at any time, should errors be detected.

Liquidity Reporting Requirements

BR-1.3.5 In accordance with Paragraph LM-3.2.1, licensees must report their stock liquidity and maturity mismatch ratios. The reporting of these ratios is included as part of the PIRF and PIRCC returns required under Paragraph BR-1.3.1. Licensees must note however that the liquidity requirements are only applicable to Bahrain operations as outlined in Paragraph LM-1.2.1.



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

BR-1.4 Monthly Requirements

BR-1.4.1 All licensees which are listed on a licensed exchange in Bahrain must comply with the requirements of Volume 6 of the CBB Rulebook.

Connected Counterparty Exposures

BR-1.4.2 All licensees are required to submit to the CBB their exposures to connected parties on a monthly basis on the fourth working day of the month.

BR-1.4.3 For instructions relating to the reporting required as per Paragraph BR-1.4.2, reference should be made to Appendix BR-8 and for the concerned reporting forms refer to Appendix BR-7, found under Part B of Volume 5.



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

BR-1.5 IIS Reporting Requirements

Institutional Information System (IIS)

BR-1.5.1

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-1.5.2 Licensees failing to comply with the requirements of Paragraph BR-1.5.1 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-1.6 Internet Security Measures

BR-1.6.1 In accordance with Section OM-5.2, licensees providing internet financial services must regularly test their systems against security breaches and submit the vulnerability assessment report to the CBB.

BR-1.6.2 The report referred to under Paragraph BR-1.6.1 must be conducted in accordance with Section OM-5.2 and submitted to the CBB twice a year, within two months following the end of the month where the testing took place, i.e. for the June test, the report must be submitted at the latest by 31st August and for the December test, by 28th February.



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.

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

BR-2.1.3 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 significant breach of any provision of the Rulebook (including a Principle);
- (f) A breach of any requirement imposed by law, regulation, directive or any other instruction issued by the CBB;
- (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);
or
- (h) 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-7.1.2).

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.



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

BR-2.2 Notification Requirements (continued)

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.

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 or a close link 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 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 activities; or
- (e) Significant conflicts of interest.



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

BR-2.2 Notification Requirements (continued)

Meaning of the Term “significant”

BR-2.2.7 For the purposes of this chapter, in determining whether a matter is significant, a licensee should have regard to:

- (a) The size of any monetary loss or potential monetary loss to itself or its customers (either in terms of a single incident or group of similar or related incidents);
- (b) The risk of reputational loss to the licensee; and
- (c) Whether the incident or a pattern of incidents reflects weaknesses in the licensee’s internal controls.

BR-2.2.8 In addition, if the licensee may have suffered significant 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.

Insolvency, Bankruptcy and Winding Up

BR-2.2.9

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



MODULE	BR: CBB Reporting Requirements
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 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-2.2.11

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-4.3.8 and AU-4.5.7).

Authorised Signatories

BR-2.2.12

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 financial institutions, 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 institution, together with, where appropriate, details of what they are authorised to sign for.



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

BR-2.2 Notification Requirements (continued)

Capital Adequacy Liquidity Requirements

BR-2.2.13 In the event that a licensee fails to meet any of the requirements specified in Module CA (Capital Adequacy) or Module LM (Liquidity Risk Management), it must, on becoming aware that it has breached the requirements, immediately notify the CBB in writing (ref. CA-1.1.9 and LM-1.1.3).

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.

Outsourcing Arrangements

BR-2.2.15 Licensees must immediately inform their normal supervisory contact at the CBB of any material problems or changes encountered with an outsourcing provider (ref. OM-3.3.4).

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 on the earlier of:

- (a) The moment the change takes effect; or
- (b) The moment the controller becomes aware of the proposed change (ref. GR-5.1.7).

BR-2.2.17 A licensee must notify the CBB of any event as specified under Article 52 of the CBB Law.



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

BR-2.2 Notification Requirements (continued)

Promotional Schemes

BR-2.2.18

Licensees must notify the CBB, and send copies of the documentation relating to promotional schemes, at least ten business days prior to their launch, after ensuring that such promotional schemes are in line with the Rules under Section BC-1.

Introduction of New or Expanded Customer Products and Facilities

BR-2.2.19

All licensees should notify the CBB of information relating to any new or expanded customer products and facilities in accordance with the requirements set out under Section BC-3.2.

Write-offs

BR-2.2.20

All licensees must notify the CBB of any write-off of a credit facility of an amount in excess of BD100,000 or its equivalent in foreign currency.



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

BR-2.3 Approval Requirements

Branches or Subsidiaries

BR-2.3.1 In accordance with Rule AU-4.2.1, a licensee must seek prior written approval from the CBB for opening a branch or a subsidiary.

BR-2.3.2 Licensees wishing to cancel an authorisation for a branch or subsidiary must obtain the CBB's written approval before ceasing the activities of the branch or subsidiary.

Change in Name

BR-2.3.3 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 (being its registered name if the licensee is a body corporate); and/or
- (b) The licensee's trade name.

BR-2.3.4 The request under Paragraph BR-2.3.3 must include the details of the proposed new name and the date on which the licensee intends to use the new name.

Change of Address

BR-2.3.5 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, and that of its branches.

BR-2.3.6 The request under Paragraph BR-2.3.5 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-2.3.7 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 Requirements
CHAPTER	BR-2: Notifications and Approvals

BR-2.3 Approval Requirements (continued)

Change in Paid-up or Issued Capital

BR-2.3.8

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

Controllers

BR-2.3.9

In accordance with Section GR-4.1, 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 beyond 10%, 20% or 40% of the licensee; and
- (d) An existing controller becoming or ceasing to be a parent undertaking of the licensee.

Mergers, Acquisitions, Disposals and Establishment of New Subsidiaries

BR-2.3.10

As specified in Article 57 of the CBB Law, 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, disposal or establishment of a new subsidiary undertaking; or
- (c) Modify its memorandum or articles of association.



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

BR-2.3 Approval Requirements (continued)

Write-offs

BR-2.3.11

Licensees should obtain the CBB's prior written approval before writing off any of the following exposures:

- (a) To any present or former director of the licensee;
- (b) Which are guaranteed by a director of the licensee;
- (c) To any business entity for which the licensee or any of its directors is an agent;
- (d) To any officer or employee of the licensee, or any other person who receives remuneration from the licensee;
- (e) To any business entity in which the licensee (or any of its directors, officers or other persons receiving remuneration from the licensee) has a material interest as a shareholder (i.e. 5% or more), or as a director, manager, agent or guarantor; and
- (f) To any person who is a director, manager or officer of another licensee of the CBB.

Outsourcing Arrangements

BR-2.3.12

A licensee must seek prior approval from the CBB for the following:

- (a) Outsourcing of their internal audit function (ref. OM-3.7);
- (b) Intra-group outsourcing (ref. OM-3.8.3); or
- (c) Outsourcing other core functions (OM-3.3).

Matters Having a Supervisory Impact

BR-2.3.13

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-2.3.14

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-8.2.2).



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

BR-2.3 Approval Requirements (continued)

BR-2.3.15 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-2.3.16 As specified in Article 57 of the CBB Law, a licensee wishing to transfer all or a major part of its assets or liabilities inside or outside the Kingdom, must obtain prior written approval from the CBB.

External Auditor

BR-2.3.17 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-2.3.18 Licensees, must obtain the CBB's prior written approval to any dividend proposed to be distributed to the shareholders, in accordance with Chapter GR-4.

Approved Persons

BR-2.3.19 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-1.2 and AU-4.3.1).

BR-2.3.20 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-2.3.21 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-4.4.5).



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

BR-2.3 Approval Requirements (continued)

Cessation of Business

BR-2.3.22

In accordance with Paragraph GR-7.1.1 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. 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 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.



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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;



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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.



MODULE	BR:	CBB Reporting
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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 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-3.5.7 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-3.5.8 The CBB may appoint one or more of its officials to work on the appointed experts' team for a particular licensee.



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

The Required Report

BR-3.5.9 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-3.5.10 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-3.5.11 The appointed experts' report should follow the format set out in Appendix BR-10, in part B of the CBB Rulebook.

BR-3.5.12 Unless otherwise directed by the CBB or unless the circumstances described in Paragraph BR-3.5.16 apply, the report must be discussed with the Board of directors and/or senior management in advance of it being sent to the CBB.

BR-3.5.13 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-3.5.14 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.



MODULE	BR: CBB Reporting
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BR-3.5 The Role of the Appointed Expert (continued)

BR-3.5.15

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-3.5.16

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-3.5.17

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-3.5.18

If appointed experts decide to communicate directly with the CBB in the circumstances set out in Paragraph BR-3.5.16, 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-3.5.19

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.



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

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

Trilateral Meeting

BR-3.5.20 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.