



# **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 The General Requirements Module 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 books and records, the use of corporate and trade names; on the distribution of dividends; on controllers; and on suspension of business. 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 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'). The Module also contains requirements prescribed under Resolution No. (43) of 2011 governing the conditions of granting a license for the provision of regulated services and is issued under the powers available to the CBB under Article 44(c). Requirements regarding controllers (see Chapter GR-5) 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.



<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-A: Introduction</b>

## GR-A.2 Module History

### *Evolution of Module*

GR-A.2.1 This Module was first issued in January 2013 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-1.1.3	04/2013	Corrected reference to 'transaction' records.
GR-6.1.8	10/2016	Added an additional requirement for cessation of business to be consistent with other Volumes of the CBB Rulebook.
GR-4.1.7	01/2017	Consistency of notification timeline rule on controllers with other Volumes of the CBB Rulebook.
GR-1.2.1	07/2017	Amended paragraph according to the Legislative Decree No. (28) of 2002.
GR-1.2.2	07/2017	Deleted paragraph.
GR-3.1.3	10/2017	Amended paragraph and changed from Guidance to Rule.
GR-4.1.1A	04/2019	Added a new Paragraph on exposures to controllers.
GR-4.1.1B	04/2019	Added a new Paragraph on exposures to controllers.
GR-1.2.1	01/2020	Amended Paragraph.
GR-6.1.8	04/2020	Amended Paragraph.
GR-7	01/2021	Added a new Chapter on Prepaid Cards.
GR-2.1.1	01/2022	Amended Paragraph on change of licensee corporate and legal name.
GR-2.1.2	01/2022	Amended Paragraph to refer to change in legal name.
GR-4.3.3 – GR-4.3.4	07/2022	Amended Paragraphs on suitability and controllers.
GR-4.3.4A	07/2022	Added a new Paragraph on the exemption of licensees offering limited scope activities from certain requirements.



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

## GR-B.1 Financing Company Licensees

### GR-B.1.1

The requirements in Module GR (General Requirements) apply to all financing company licensees, thereafter referred to in this Module as licensees.



<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-1: Books and Records</b>

## **GR-1.1 General Requirements**

### **GR-1.1.1**

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-1.1.2**

GR-1.1.1 includes accounts, books, files and other records (e.g. trial balance, general ledger, nostro/vostro statements, reconciliations, list of counterparties). It also includes records that substantiate the value of the assets, liabilities and off-balance sheet activities of the licensee (e.g. client activity files and valuation documentation).

#### **GR-1.1.3**

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-1.1.4**

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-1.1.5**

Translations produced in compliance with Rule GR-1.1.4 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-1.1.6**

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

#### **GR-1.1.7**

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-1.1.8**

**Paragraphs GR-1.1.1 to GR-1.1.7 apply to licensees, with respect to all business activities.**



MODULE	GR:	General Requirements
CHAPTER	GR 1:	Books and Records

## GR-1.2 Transaction Records

### GR-1.2.1

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. (54) of 2018 with respect to Electronic Transactions “The Electronic Communications and Transactions Law” and its amendments.

### GR-1.2.2

[This Paragraph has been deleted in July 2017].

### GR-1.2.3

Rule GR-1.2.1 applies only to transactions relating to business booked in Bahrain by the licensee.



MODULE	GR:	General Requirements
CHAPTER	GR 1:	Books and Records

## GR-1.3 Other Records

### *Corporate Records*

#### GR-1.3.1

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 training manuals and records.

GR-1.3.2 [This Paragraph is intentionally left blank].

### *Customer Records*

GR-1.3.3 Record-keeping requirements with respect to customer records, including customer identification and due diligence records, are contained in Module FC (Financial Crime).

### *Promotional Schemes*

#### GR-1.3.4

Licensees must maintain all materials related to promotional schemes as outlined in Section BC-1.1 for a minimum period of 5 years.





MODULE	GR: General Requirements
CHAPTER	GR-2: Corporate and Trade Names

## GR-2.1 Vetting of Names

### GR-2.1.1

Licensees must obtain CBB's prior written approval for any change in their legal name. Licensees must notify the CBB of any change in their corporate name at least one week prior to effecting the proposed change.

### GR-2.1.2

In approving a change to a legal name, the CBB seeks to ensure that it is sufficiently distinct as to reduce possible confusion with other unconnected businesses, particularly those operating in the financial services sector. The CBB also seeks to ensure that names used by unregulated subsidiaries do not suggest those subsidiaries are in fact regulated.



MODULE	GR:	General Requirements
CHAPTER	GR 2:	Corporate and Trade Names

## GR-2.2 Publication of Documents by the Licensee

### GR-2.2.1

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-3: Dividends

## GR-3.1 CBB Non-Objection

### GR-3.1.1

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-3.1.2

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, the adequacy of provisions against impaired credit facilities or other assets and the level of realised gains in reported profits.

### GR-3.1.3

To facilitate the prior approval required under Paragraph GR-3.1.1, licensees must provide the CBB with:

- (a) The licensee’s intended percentage and amount of proposed dividends for the coming 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 adequacy requirements outlined in Module CA (Capital Adequacy) and the liquidity position of the licensee.



<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-4: Controllers</b>

## **GR-4.1 Key Provisions**

### **GR-4.1.1**

Licensees must obtain prior approval from the CBB for any of the following changes to their controllers (as defined in Section GR-4.2 and subject to the limits as outlined in GR-4.3):

- (a) A new controller;
- (b) An existing controller increasing its holding from below 20% to 20%;
- (c) An existing controller increasing its holding from above 20% to 30%;
- (d) An existing controller increasing its holding above 30% to 40%; or
- (e) An existing controller increasing its holding above 40%.

### **GR-4.1.1A**

Licensees must not incur or otherwise have an exposure (either directly or indirectly) to their controllers, including subsidiaries and associated companies of such controllers.

### **GR-4.1.1B**

For the purpose of Paragraph GR-4.1.1A, licensees that already have an exposure to controllers must have an action plan agreed with the CBB's supervisory point of contact to address such exposures within a timeline agreed with the CBB.

### **GR-4.1.2**

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. Licensees and their controllers must also observe the CBB's Capital Markets requirements in respect of changes in holdings of shares of listed companies.

### **GR-4.1.3**

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-4.1.4**

There are strict limits on changes in the holdings of shares held by controllers in licensees or the extent of voting control exercised by controllers in licensees. These limits are outlined in Section GR-4.3. Failure to observe these limits may lead to imposition of enforcement provisions of the Rulebook on the licensee and other penalties on the controller under the provisions of the CBB Law as outlined in Paragraph GR-4.1.2, including loss of voting power or transfer of shares.

### **GR-4.1.5**

Where a controller is a legal person, any change in its shareholding must be notified to the CBB at the earlier of:

- (a) When the change takes effect; and
- (b) When the controller becomes aware of the proposed change.



MODULE	GR: General Requirements
CHAPTER	GR-4: Controllers

## GR-4.1 Key Provisions (continued)

### GR-4.1.6

For approval under Paragraph GR-4.1.1 to be granted, the CBB must be satisfied that the proposed controller or increase in control poses no undue risks to the licensee. The CBB will therefore consider or reconsider the criteria outlined in Paragraphs GR-4.3.6 to GR-4.3.8 in any request for approval. The CBB may impose any restrictions that it considers necessary to be observed in case of its approval of a new controller, or any of the changes listed to existing controllers in Paragraph GR-4.1.1. These restrictions will include the applicable maximum allowed limit of holding or control (as outlined in Section GR-4.3). 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-4.1.7

If, as a result of circumstances outside the licensee's knowledge and/or control, one of the changes specified in Paragraph GR-4.1.1 is triggered prior to CBB approval being sought or obtained, the licensee must notify the CBB no later than 15 calendar days from the date on which those changes have occurred.

### GR-4.1.8

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 as outlined in Paragraph GR-4.1.1.

### GR-4.1.9

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. The criteria by which the CBB assesses the suitability of controllers are set out in Section GR-4.3. 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-4.1.10

Licensees must submit, within 3 months of their financial year-end, a report on their controllers (See Subparagraph BR-1.1.2(f)). This report must identify all controllers of the licensee, as defined in Section GR-4.2 and the extent of their shareholding interests.



MODULE	GR: General Requirements
CHAPTER	GR-4: Controllers

## GR-4.2 Definition of Controller

### GR-4.2.1

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-4.2.2

For the purposes of Paragraph GR-4.2.1, "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-4.2.3

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-4:	Controllers

## GR-4.3 Suitability of Controllers

### GR-4.3.1

All new controllers or prospective controllers (as defined in Section GR-4.2) of a licensee must obtain the approval of the CBB. Any increases to existing controllers' holdings or voting control (as outlined under Paragraph GR-4.1.1) must also be approved by the CBB and are subject to the conditions outlined in this Section. Such changes in existing controllers (as defined in the Section GR-4.2) or new/prospective controllers of a licensee must satisfy the CBB of their suitability and appropriateness according to the criteria outlined in Paragraphs GR-4.3.6 to GR-4.3.8. The CBB will issue an approval notice or notice of refusal of a controller according to the approval process outlined in Section GR-4.4 and Paragraph GR-4.1.5.

### GR-4.3.2

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. Existing and prospective controllers should therefore take particular note of the requirements of Paragraphs GR-4.3.3 to GR-4.3.8 if they wish to take more substantial holdings or control.

As a matter of policy, the CBB distinguishes between regulated legal persons (i.e. financial institutions) and unregulated legal persons and natural persons as controllers. Unregulated legal persons and natural persons are subject to greater due diligence and therefore have more stringent conditions to satisfy. Regulated legal persons must satisfy home country prudential requirements. The CBB may also contact their home regulators for information on their "fit & proper" status.

### GR-4.3.3

A natural person **must not** own or control more than 15% of the voting capital of a licensee. Such person must satisfy the conditions in Paragraph GR-4.3.6 below.

### GR-4.3.4

An unregulated legal person (including companies, trusts, partnerships) **must not** own or control more than 20% of the voting capital of a licensee. All such persons must satisfy the conditions in Paragraph GR-4.3.7 below.

### GR-4.3.4A

Financing company licensees offering limited scope of activities may be exempted from the requirements of GR-4.3.3 and GR-4.3.4.



MODULE	GR:	General Requirements
CHAPTER	GR-4:	Controllers

### GR-4.3 Suitability of Controllers (continued)

#### GR-4.3.5

The CBB will only permit financial institutions which are subject to effective consolidated supervision under a regulatory framework consistent with the Basel Core Principles, the IOSCO Principles or the IAIS Principles to become controllers with a holding of more than 20% of the voting capital of a licensee. Furthermore, the concerned regulated financial institution must satisfy the conditions in Paragraph GR-4.3.7 and also the specific conditions in Paragraph GR-4.3.8 below. A regulated financial institution will not be approved as a controller of a locally listed licensee if it wishes to acquire more than 40% of the voting capital. Subject to the discretion of the CBB, regulated financial institutions from reputable jurisdictions may be allowed to own or control holdings of voting capital of unlisted locally incorporated licensees in excess of the above mentioned 40% level.





<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-4: Controllers</b>

### **GR-4.3 Suitability of Controllers (continued)**

- GR-4.3.6 In assessing the suitability and the appropriateness of new/prospective controllers (and existing controllers proposing to increase their shareholdings) who are natural persons, 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 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.



<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-4: Controllers</b>

### **GR-4.3 Suitability of Controllers (continued)**

GR-4.3.7

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-4: Controllers

### GR-4.3 Suitability of Controllers (continued)

#### GR-4.3.8

Regulated financial institutions wishing to acquire more than 20% of the voting capital of a licensee must observe the following additional conditions:

- (a) The person must be subject to effective consolidated supervision by a supervisory authority which effectively implements the Basel Core Principles, the IOSCO Principles or the IAIS Principles as well as the FATF 40+9 Recommendations on Money Laundering and Terrorist Financing;
- (b) The home supervisor of the person must give its formal written prior approval for (or otherwise raise no objection to) the proposed acquisition of the licensee;
- (c) The home supervisor of the person must confirm to the CBB that it will require the person to consolidate the activities of the concerned licensee for regulatory and accounting purposes if the case so requires;
- (d) The home supervisor of the person must formally agree to the exchange of customer information between the person and its prospective Bahraini subsidiary/acquisition for AML/CFT purposes and for large exposures monitoring purposes;
- (e) The home supervisor of the person and the CBB must (if not already in place) conclude a Memorandum of Understanding in respect of supervisory responsibilities, exchange of information and mutual inspection visits;
- (f) The person must provide an acceptably worded letter of guarantee to the CBB in respect of its obligation to support the licensee; and
- (g) The licensee will be subject to the provisions of Chapter CM-5 in respect of exposures to its controller.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-4:</b>	<b>Controllers</b>

## **GR-4.4 Approval Process**

- GR-4.4.1 Within 3 months of receipt of an approval request under Paragraph GR-4.1.1, 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 (see Paragraph GR-4.1.5). These conditions will include the maximum permitted limit of holding or voting control exercisable by the controller.
- GR-4.4.2 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-4.4.3 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-4.1.1, or a notice of refusal has been served to him under Paragraph GR-4.4.1 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-4.4.4 Article 56 of the CBB Law empowers the CBB to take appropriate precautionary measures, or sell such shares mentioned in Paragraph GR-4.4.3, if the licensee fails to carry out the order referred to in the preceding Paragraph.



MODULE	GR: General Requirements
CHAPTER	GR-5: Close Links

## GR-5.1 Key Provisions

GR-5.1.1 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-5.1.2 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-5.1.3** Licensees must submit to the CBB, within 3 months of their financial year-end, a report on their close links (See Subparagraph BR-1.1.2(g)). The report must identify all undertakings closely linked to the licensee, as defined in Section GR-5.2.

GR-5.1.4 Licensees may satisfy the requirement in Paragraph GR-5.1.3 by submitting a corporate structure chart, identifying all undertakings closely linked to the licensee.

**GR-5.1.5** Licensees must provide information on undertakings with which they are closely linked, as requested by the CBB.



MODULE	GR: General Requirements
CHAPTER	GR-5: Close Links

## GR-5.2 Definition of Close Links

### GR-5.2.1

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.



<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-5: Close Links</b>

### **GR-5.3 Assessment Criteria**

- GR-5.3.1 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-6:	Cessation of Business

## GR-6.1 CBB Approval

### GR-6.1.1

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-6.1.2

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-6.1.3

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-6.1.4

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

### GR-6.1.5

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-6.1.6

The notice referred to in Paragraph GR-6.1.5 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-6.1.7

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-6:	Cessation of Business

## GR-6.1 CBB Approval (continued)

### GR-6.1.8

Upon satisfactorily meeting the requirements set out in GR-6.1, the licensees must surrender the original license certificate issued by the Licensing Directorate at the time of establishment, and submit confirmation of the cancellation of its commercial registration from the Ministry of Industry, Commerce and Tourism.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR 7:</b>	<b>Prepaid Cards</b>

## **GR-7.1      General Requirements**

### **GR-7.1.1**

Licensees must place any prepaid card which is inactive for a period of six months on the “dormant” list.