



# **FINANCING COMPANIES TRAINING AND COMPETENCY MODULE**



**MODULE:**

**TC (Training and Competency)**

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<b>MODULE</b>	<b>TC: Training and Competency</b>
<b>CHAPTER</b>	<b>TC-A: Introduction</b>

## **TC-A.1 Purpose**

### *Executive Summary*

- TC-A.1.1 This Module presents requirements that have to be met by financing company licensees with respect to training and competency of individuals undertaking controlled functions (i.e. approved persons) (as defined in Paragraph AU-1.2.2)
- TC-A.1.2 Module TC provides Rules and Guidance to financing company licencees to ensure satisfactory levels of competence, in terms of an individual’s knowledge, skills, experience, and professional qualifications. Financing company licencees must maintain the competence to provide regulated financing company services as outlined in Section AU-1.3. Individuals occupying controlled functions, as outlined in Paragraph AU-1.2.2, must therefore meet minimum levels of training and experience related to their functions.
- TC-A.1.3 The Rules build upon Principles 3 and 9 of the Principles of Business (see Module PB (Principles of Business)). Principle 3 (Due Skill, Care and Diligence) requires financing company licensees to observe high standards of integrity and fair dealing, and to be honest and straightforward in its dealings with customers. Principle 9 (Adequate Resources) requires financing company licensees to maintain adequate human, financial and other resources sufficient to run its business in an orderly manner.
- TC-A.1.4 Condition 4 of CBB’s Licensing Conditions (Chapter AU-2.4) and Condition 1 of the Approved Persons regime (Chapter AU-3.1) impose further requirements. To satisfy Condition 4 of the CBB’s Licensing Conditions, a financing company licensee’s staff, taken together, must collectively provide a sufficient range of skills and experience to manage the affairs of the financing company licensee in a sound and prudent manner (AU-2.4). This condition specifies that financing company licensees must ensure their employees meet any training and competency requirements specified by the CBB. Condition 1 of the Approved Persons Conditions (AU-3.1) sets forth the ‘fit and proper’ requirements in relation to competence, experience and expertise required by approved persons.

### *Legal Basis*

- TC-A.1.5** This Module contains the CBB’s Directive relating to Training and Competency and is issued under the powers available to the CBB under Articles 38 and 65(b) of the Central Bank of Bahrain and Financial Institutions Law 2006 (‘CBB Law’). The Directive in this Module is applicable to all financing company licensees (including their approved persons).

- TC-A.1.6 For an explanation of the CBB’s rule-making powers and different regulatory instruments, see Section UG-1.1.



<b>MODULE</b>	<b>TC: Training and Competency</b>
<b>CHAPTER</b>	<b>TC-A: Introduction</b>

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

### *Evolution of the Module*

TC-A.2.1 This Module was first issued in January 2014. Any material changes that are subsequently made to this Module will be annotated with the calendar quarter date in which the change is made; Chapter UG-3 provides further details on Rulebook maintenance and version control.

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

Module Ref.	Change Date	Description of Changes

### *Superseded Requirements*

TC-A.2.3 This Module does not replace any regulations or circulars in force prior to January 2014.



MODULE	TC: Training and Competency
CHAPTER	TC-B: Scope of Application

## TC-B.1 Scope

**TC-B.1.1** This Module applies to all financing company licensees authorised in the Kingdom, thereafter referred to in this Module as licensees. It covers the training and competency requirements for staff occupying controlled functions (See Chapter TC-1).

TC-B.1.2 Persons authorised by the CBB as approved persons prior to the issuance of Module TC need not reapply for authorisation.

**TC-B.1.3** The requirements of this Module apply to approved persons holding controlled functions who are to be employed or to be appointed by the licensee in connection with the licensee's regulated financing company services, or under a contract of service.

TC-B.1.4 In the case of outsourcing arrangements, the licensee should refer to the competency requirements, outlined in Appendix TC-1 for controlled functions, for assessing the suitability of the outsourcing provider.

**TC-B.1.5** Licensees must satisfy the CBB that individuals performing a controlled function for it or on its behalf are suitable and competent to carry on that controlled function.

**TC-B.1.6** In implementing this Module, licensees must ensure that individuals recruited to perform controlled functions:

- (a) Hold suitable qualifications and experience appropriate to the nature of the business;
- (b) Remain competent for the work they do; and
- (c) Are appropriately supervised.



MODULE	TC: Training and Competency
CHAPTER	TC-1: Requirements for Controlled Functions

## TC-1.1 Controlled Functions

### TC-1.1.1

Individuals occupying controlled functions (refer to Section AU-1.2) in a licensee must be qualified and suitably experienced for their specific roles and responsibilities. The controlled functions are those of:

- (a) Board Member;
- (b) Chief Executive or General Manager;
- (c) Head of function;
- (d) Compliance Officer;
- (e) Money Laundering Reporting Officer ('MLRO'); and
- (f) Head of Shari'a Review

### TC-1.1.2

A licensee must take reasonable steps to ensure that individuals holding controlled functions are sufficiently knowledgeable about their respective fields of work to be able to guide and supervise operations that fall under their responsibilities.

### TC-1.1.3

Competence is assessed by the CBB on the basis of experience and relevant qualifications described in Appendix TC-1 as a minimum. However, the CBB reserves the right to impose a higher level of qualifications as it deems necessary.

#### *Board Member*

### TC-1.1.4

Board Members collectively are responsible for the business performance and strategy of the licensee, as outlined in more details in Section HC-1.2.

### TC-1.1.5

When taken as a whole, the board of directors of a licensee must be able to demonstrate that it has the necessary skills and expertise, as outlined in Paragraph HC-1.2.10.



MODULE	TC: Training and Competency
CHAPTER	TC-1: Requirements for Controlled Functions

## TC-1.1 Controlled Functions (continued)

### *Chief Executive or General Manager*

TC-1.1.6

The chief executive or general manager (as appropriate) are responsible for the executive management and performance of the licensee within the framework or delegated authorities set by the Board. The scope of authority of the CEO is outlined in more detail in Paragraph HC-6.3.2 (a).

### *Head of Function*

TC-1.1.7

Heads of function, where risk acquisition or control is involved, are responsible for tracking specific functional performance goals in addition to identifying, managing, and reporting critical organisational issues upstream. Certain functions require dealing directly with clients while others do not. Both categories of functions, however, require specific qualifications and experience to meet the objectives as well as compliance requirements of the financing company licensee.

TC-1.1.8

For purposes of Paragraph TC-1.1.7, licensees should contact the CBB should they require further clarification on whether a specific position falls under the definition of “Heads of Function”.

### *Compliance Officer*

TC-1.1.9

In accordance with Paragraph AU-1.2.12, an employee of appropriate standing must be designated by the licensee for the position of compliance officer. The duties of the compliance officer include:

- (a) Having responsibility for oversight of the licensee’s compliance with the requirements of the CBB and other applicable laws and regulations;
- (b) Raising awareness and providing training for the licensee’s staff on compliance issues; and
- (c) Reporting to the licensee’s Board in respect of that responsibility.

### *Money Laundering Reporting Officer (MLRO)*

TC-1.1.10

The attributes and responsibilities of the MLRO are described more fully in Paragraphs FC-4.1.7 and FC-4.2.1.



MODULE	TC:	Training and Competency
CHAPTER	TC-1:	Requirements for Controlled Functions

## TC-1.1 Controlled Functions (continued)

### *Head of Shari'a Review*

#### TC-1.1.11

The head of Shari'a review in a licensee, dealing with Islamic products and services, is responsible for the examination of the extent of a licensee's compliance, in all its activities, with the Shari'a. This examination includes contracts, agreements, policies, products, transactions memorandum and articles of association, financial statements, reports (especially internal audit and central bank inspection), circulars, etc. The objective of the Shari'a review is to ensure that the activities carried out by a licensee do not contravene the Shari'a.





MODULE	TC: Training and Competency
CHAPTER	TC-1: Requirements for Controlled Functions

## TC-1.2 Continuous Professional Development Training (“CPD”)

### *CPD*

**TC-1.2.1** All individuals holding controlled functions in a licensee must undergo a minimum of 15 hours of CPD per annum.

**TC-1.2.2** A licensee must ensure that an approved person undertaking a controlled function undergoes appropriate annual review and assessment of performance.

TC-1.2.3 The level of supervision should be proportionate to the level of competence demonstrated by the approved person. Supervision will include, as appropriate:

- (a) Reviewing and assessing work on a regular basis; and
- (b) Coaching and assessing performance against the competencies necessary for the role.

TC-1.2.4 Supervisors of approved persons should have technical knowledge and relevant managerial skills.

### *Record Keeping*

TC-1.2.5 A licensee should, for a minimum period of five years, retain records of:

- (a) The annual training plan for each controlled function;
- (b) Materials used to conduct in-house training courses;
- (c) List of participants attending such in-house training courses; and
- (d) Results of evaluations conducted at the end of such training courses.



MODULE	TC:	Training and Competency
CHAPTER	TC-2:	General Requirements

## TC-2.1 Recruitment and Assessing Competence

### *Recruitment and Appointment*

**TC-2.1.1** If a licensee recruits or promotes an individual to undertake a controlled function, it must first file Form 3 (Approved Persons) with the CBB and obtain the express written approval of the CBB for that person to occupy the desired position. In its application, the licensee must demonstrate to the CBB that full consideration has been given to the qualifications and core competencies for controlled functions in Appendix TC-1. (See Article 65(b) of the CBB Law and Paragraph AU-2.3.1).

TC-2.1.2 Licensees should refer to Module AU (Authorisation) providing detailed requirements on the appointment of individuals occupying controlled functions (approved persons).

TC-2.1.3 A licensee proposing to recruit an individual has to satisfy itself, of his/her relevant qualifications and experience. The licensee should:

- Take into account the knowledge and skills required for the role, in addition to the nature and the level of complexity of the controlled function; and
- Take reasonable steps to obtain sufficient information about the individual's background, experience, training and qualifications.



MODULE	TC: Training and Competency
CHAPTER	TC-2: General Requirements

## TC-2.1 Recruitment and Assessing Competence (continued)

### TC-2.1.4

The licensee must retain the recruitment records of controlled functions for a minimum period of five years following termination of their services or employment with the licensee. Such records must include, but are not limited to, the following:

- (a) Results of the initial screening;
- (b) Results of any employment tests;
- (c) Results and details of any interviews conducted;
- (d) Background and references checks; and
- (e) Details of any professional qualifications.

#### *Assessing Competence*

### TC-2.1.5

Licensees must not allow an individual to undertake or supervise controlled functions unless that individual has been assessed by the licensee as competent in accordance with this Section.

### TC-2.1.6

In the case of new personnel, the licensee should ensure that they work under proper supervision. Where a person is working towards attaining a level of competence, they should be supervised by a competent person until they can demonstrate the appropriate level of competence. It is the licensee's responsibility to ensure that such arrangements are in place and working successfully.

### TC-2.1.7

In determining an individual's competence, licensees may assess if the person is fit and proper in accordance with Chapter AU-3.

### TC-2.1.8

Licensees must assess individuals as competent when they have demonstrated the ability to apply the knowledge and skills required to perform a specific controlled function.

### TC-2.1.9

The assessment of competence will be dependent on the nature and the level of complexity of the controlled function. Such assessment of competence of new personnel may take into account the fact that an individual has been previously assessed as competent in a similar controlled function with another licensee.



<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
<b>CHAPTER</b>	<b>TC-2:</b>	<b>General Requirements</b>

## TC-2.1 Recruitment and Assessing Competence (continued)

TC-2.1.10 If a licensee assesses an individual as competent in accordance with Paragraph TC-2.1.8 to perform a specific controlled function, it does not necessarily mean that the individual is competent to undertake other controlled functions.

TC-2.1.11 A financing company should use methods of assessment that are appropriate to the controlled function and to the individual's role.

### *Record Keeping*

**TC-2.1.12** A licensee must, for a minimum period of five years, make and retain updated records of:

- (a) Its recruitment procedures;
- (b) The criteria applied in assessing competence; and
- (c) How and when the competence decision was arrived at.

TC-2.1.13 For purposes of Paragraph TC-2.1.12, the record keeping requirements apply to both current employees as well as to employees following termination of their services or employment with the company, for a minimum period of five years.

TC-2.1.14 The recruitment procedures referred to in Subparagraph TC-2.1.12(a) should be designed to adequately take into account proof of the candidates' knowledge and skills and their previous activities and training.



MODULE	TC: Training and Competency
CHAPTER	TC-2: General Requirements

## TC-2.2 Training and Maintaining Competence

### TC-2.2.1

A licensee must annually determine the training needs of individuals undertaking controlled functions. It must develop a training plan to address these needs and ensure that training is planned, appropriately structured and evaluated.

### TC-2.2.2

The assessment and training plan described in Paragraph TC-2.2.1 should be aimed at ensuring that the relevant approved person maintains competence in the controlled function. An individual can develop skills and gain experience in a variety of ways. These could include on-the-job learning, individual study, and other methods. In almost every situation, and for most individuals, it is likely that competence will be developed most effectively by a mixture of training methods.

### TC-2.2.3

The training plan of licensees must include a programme for continuous professional development training ('CPD') for their staff.

### TC-2.2.4

Approved persons may choose to fulfil their CPD requirements by attending courses, workshops, conferences and seminars at local or foreign training institutions.

### TC-2.2.5

The annual training required under Paragraph TC-2.2.1 must also include the quarterly updates, if any, to the CBB Volume 5 (Financing Companies) Rulebook, in areas relevant to each controlled function.

### TC-2.2.6

Licensees should maintain appropriate training records for each individual. Licensees should note how the relevant training relates to and supports the individual's role. Training records may be reviewed during supervisory visits to assess the licensee's systems and to review how the licensee ensures that its staff are competent and remain competent for their roles.

### *Maintaining Competence*

### TC-2.2.7

A licensee must make appropriate arrangements to ensure that approved persons maintain competence.



<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
<b>CHAPTER</b>	<b>TC-2:</b>	<b>General Requirements</b>

## TC-2.2 Training and Maintaining Competence (continued)

TC-2.2.8 A licensee should ensure that maintaining competence for an approved person takes into account:

- (a) Application of technical knowledge;
- (b) Application and development of skills; and
- (c) Any market changes and changes to products, legislation and regulation.

TC-2.2.9 A licensee may utilise the CPD schemes of relevant professional bodies to demonstrate compliance with Paragraph TC-2.2.1. In-house training, seminars, conferences, further qualifications, product presentations, computer-based training and one-to-one tuition may also be considered to demonstrate compliance with Paragraph TC-2.2.1.

### *Record Keeping*

TC-2.2.10

A licensee must, for a minimum period of five years, make and retain records of:

- (a) The criteria applied in assessing continuing competence;
- (b) The annual assessment of competence; and
- (c) Record of CPD hours undertaken by each approved person.



<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
<b>CHAPTER</b>	<b>TC-2:</b>	<b>General Requirements</b>

### TC-2.3 Transitional Period

**TC-2.3.1** The requirements of this Module for licensees are effective from the issuance date of this Module.

**TC-2.3.2** New applications for approved persons are subject to the requirements of this Module (See Paragraph TC-B.1.3).

**TC-2.3.3** Approved persons occupying controlled functions at the time this Module is issued will be grandfathered and not subject to the requirements of this Module. However, should the approved person move to another controlled function, Paragraph TC-2.3.4 will apply.

TC-2.3.4 In instances, where an approved person in one licensee moves to another licensee and occupies the same function, the CBB will exercise its discretion on whether to grandfather such approved person from the required qualifications and competencies outlined in Appendix TC-1 into the new licensee. The grandfathering criteria used by the CBB will include a comparison of the scope and size of both positions. This will also apply in instances where an approved person in one licensee moves from one department to another within the same licensee.



<b>MODULE</b>	<b>TC: Training and Competency</b>
<b>CHAPTER</b>	<b>Appendices: Appendix TC-1</b>

### Appendix TC-1: Qualifications and Core Competencies of Controlled Functions

Role	Core Competencies	How can competence be demonstrated?
Board Member	Board Members must have: (a) Sufficient experience to demonstrate sound business decision-making; and (b) A good understanding of the industry and its regulatory environment.	Competence is demonstrated by: (a) (i) Holding a Bachelor's Degree; and (ii) A minimum experience of 7 years in business or government of which at least 4 years at a senior management level;  OR (b) A minimum experience of 10 years in business
Chief Executive or General Manager	These roles require: (a) A clear understanding of the role and responsibilities associated with this position; (b) A good understanding of the licensee's business, the wider industry and its regulatory environment; (c) Relevant experience and qualifications associated with such executive responsibilities; and (d) The necessary professional and leadership capabilities which qualify him for this position.	This person should have a minimum experience of 10 years in the financial sector of which at least 7 years at a senior management level in a bank or finance company. He/she should hold a relevant academic/professional qualification, preferably MBA, Masters in finance/accounting/economics or masters in any other subject, or preferably other qualification related to banking, accounting or finance.





<b>MODULE</b>	<b>TC: Training and Competency</b>
<b>CHAPTER</b>	<b>Appendices: Appendix TC-1</b>

**Appendix TC-1: Qualifications and Core Competencies of Controlled Functions (continued)**

<p>Head of Function</p>	<p>This role requires:</p> <ul style="list-style-type: none"> <li>(a) A clear understanding of the role and responsibilities associated with the relevant function;</li> <li>(b) A good understanding of the <u>licensee's</u> business, the broader industry and its regulatory environment; and</li> <li>(c) The relevant experience and qualifications to fulfill their responsibilities.</li> </ul>	<p>A senior manager responsible for a specialist function should have a minimum experience of 7 years in the banking/financial industry of which at least 5 years of experience in the same function that he/she will be heading. He/she should:</p> <ul style="list-style-type: none"> <li>(a) Hold a relevant academic/professional qualification, preferably MBA, Masters in finance/accounting/economics or masters in any other subject, and preferably other qualification related to banking/accounting; and</li> <li>(b) Have other relevant certification(s) specific to this role. Such certifications may, depending on the function being fulfilled, include but are not limited to: <ul style="list-style-type: none"> <li>(a) Chartered Financial Analyst (CFA);</li> <li>(b) Certificate in Securities and Financial Derivatives;</li> <li>(c) Certificate in Investment Management;</li> <li>(d) Professional Certification in Accounting; and/or</li> <li>(e) Equivalent certificates or qualifications; and/or</li> <li>(f) Advanced Diploma in Banking/ Islamic Finance or Financial Advisory Program from the BIBF or other institutions.</li> </ul> </li> </ul>
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<b>MODULE</b>	<b>TC: Training and Competency</b>
<b>CHAPTER</b>	<b>Appendices: Appendix TC-1</b>

**Appendix TC-1: Qualifications and Core Competencies of Controlled Functions (continued)**

<p>Compliance Officer</p>	<p>A Compliance Officer should:</p> <ul style="list-style-type: none"> <li>(a) Have the ability and experience to take responsibility for implementing and maintaining compliance policies;</li> <li>(b) Have the appropriate level of experience to demonstrate independence from other functions within the <u>licensee</u>; and</li> <li>(c) Have a thorough understanding of the industry and the applicable regulatory framework.</li> </ul> <p>The level of required competence varies based on the scope, magnitude and complexity of the licensee.</p>	<p>The Compliance Officer should have a minimum of 3 years relevant experience in a bank, financial institution or financial regulator. He/she should:</p> <ul style="list-style-type: none"> <li>(a) Hold a degree from a university at bachelor level or higher or a relevant professional qualification in compliance; and</li> <li>(b) Have relevant certification(s) specific to this role. Such certifications may include but are not limited to: <ul style="list-style-type: none"> <li>(i) International Diploma in Compliance offered by the International Compliance Association; and/or</li> <li>(ii) International Advanced Certificate in Compliance and Financial Crime offered by the International Compliance Association; and/or</li> <li>(iii) Any other relevant professional qualification deemed suitable by the CBB. These may include qualifications in areas related to the license.</li> </ul> </li> </ul>
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<b>MODULE</b>	<b>TC: Training and Competency</b>
<b>CHAPTER</b>	<b>Appendices: Appendix TC-1</b>

### Appendix TC-1: Qualifications and Core Competencies of Controlled Functions (continued)

<p>Money Laundering Reporting Officer (MLRO)</p>	<p>The MLRO should:</p> <ul style="list-style-type: none"> <li>(a) Understand the business and how the Anti-Money Laundering framework applies thereto;</li> <li>(b) Have the appropriate level of experience to demonstrate independence from staff of the <u>licensee</u> dealing directly with customers; and</li> <li>(c) Have a thorough knowledge of the financial industry and be familiar with relevant FATF and applicable domestic regulatory requirements.</li> </ul>	<p>An MLRO should have a minimum experience of 3 years in anti-money laundering or anti-money laundering related role.</p> <p>The MLRO should:</p> <ul style="list-style-type: none"> <li>(a) Hold a degree from a university at bachelor level or higher or a relevant professional qualification; and</li> <li>(b) Have relevant certification(s) specific to this role. Such certifications may include but are not limited to: <ul style="list-style-type: none"> <li>(i) Certified Anti-Money Laundering Specialist Examination (ACAMS) ; and/ or</li> <li>(ii) Diploma in Anti-Money Laundering offered by the International Compliance Association; and/ or</li> <li>(iii) International Diploma in Financial Crime Prevention offered by International Compliance Association; and/ or</li> <li>(iv) International Advanced Certificate in Compliance and Financial Crime offered by the International Compliance Association.</li> </ul> </li> </ul>
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<b>MODULE</b>	<b>TC: Training and Competency</b>
<b>CHAPTER</b>	<b>Appendices: Appendix TC-1</b>

**Appendix TC-1: Qualifications and Core Competencies of Controlled Functions (continued)**

<p>Head of Shari'a Review</p>	<p>A Head of Shari'a Review should:</p> <ul style="list-style-type: none"> <li>(a) Have appropriate level of knowledge in Islamic Finance and Shari'a principles;</li> <li>(b) Have a good understanding of the banking/financial industry and possess good knowledge of economics and finance; and</li> <li>(c) Understand how to interpret financial statements.</li> </ul>	<p>The Head of Shari'a Review should have a minimum of 5 years relevant experience in a bank or financial institution dealing with Islamic products and services. He/she should:</p> <ul style="list-style-type: none"> <li>(a) Hold a bachelor's degree in Shari'a, which includes study in Usul Fiqh (the origin of Islamic law) and/or Fiqh Muamalat (Islamic jurisprudence) or;</li> <li>(b) Hold a university degree in banking and finance together with a qualification in Shari'a review.</li> </ul>
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