



Glossary of Defined Terms



Glossary History

Version Date	Description of Changes
October 2010	Initial Launch
December 2010	Added definition of home supervisor, representative office manager or “Rep Manager”; regulated representative office services; amended definition of controlled function; director(s), representative office or representative office licensee(s)
January 2011	Added definition of administrator(s) licensee(s)/license, client assets, close links, executive director, lead supervisor, non-executive director(s), registrar, regulated administration services, remuneration, subsidiary undertaking; Amended definition of appointed expert(s), controller(s), fund administrator, money changer, outsourcing, qualified by exception, regulated services, representative office manager, shareholders.
April 2011	Amended definition of executive director
April 2012	Added definition of licensed exchange(s), market, regulated investment services, reputational risk, service level agreement(s), succession plan. Amended definition of executive director, overseas licensee(s), subsidiary or subsidiary undertaking.



A

Administrator(s) licensee(s)/license

A person licensed under Volume 5_Administrator of the CBB Rulebook to undertake regulated administration services as defined in Paragraph AU-1.1.11 or AU-1.1.12.

Appointed Expert(s)

A duly qualified individual or firm appointed by the CBB to carry out inspections in accordance with Article 114 of the CBB Law or special investigations of licensees in accordance with Article 121 of the CBB Law. Appointed Experts are appointed in addition to the CBB's own officials. Examples of Appointed Experts are reporting accountants, lawyers, expert witnesses and independent actuaries.

Approved Person(s)

Persons undertaking certain functions in relation to CBB specialised licensees require prior CBB approval. These functions (called “controlled functions”) include directors and members of senior management. The controlled functions regime supplements the licensing regime by ensuring that key persons involved in the running of specialised licensees are fit and proper. Those authorised by the CBB to undertake controlled functions are called approved persons (see Paragraph AU-A.1.2).

Authorised person(s)

A person authorised either as a CBB licensee or an Approved Person.



B

Bahraini specialised licensees

A specialised licensee that is incorporated in the Kingdom of Bahrain.



CBB licensees

Any person licensed by the CBB under any of the Volumes of the CBB Rulebook.

CPD

Continuous professional development as referred to in Module TC (Training and Competency).

Chief Executive, Chief Executive Officer or CEO

A person responsible under the immediate authority of the Board of Directors for the conduct of the firm (regardless of actual title): cf. AU-1.2.9.

Client Assets

Money or financial instruments belonging to clients of a licensee that are held or controlled by the licensee in connection with the conduct of regulated administration services.

Close link (as defined under Paragraph GR-6.2.1 of Module GR_Administrators

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 parent undertaking of a subsidiary undertaking of L;
- (d) U is a subsidiary undertaking of a parent undertaking of L;
- (e) U owns or controls 20% or more of the voting rights or capital of L; or
- (f) 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.

Compliance Officer

An employee of appropriate standing designated by licensees having responsibility for oversight of the licensee’s compliance with the requirements of the CBB and reporting to the licensee’s Board in respect of that responsibility. The compliance officer is an approved person occupying a controlled function.



Conflict of interest

A situation when a person or an entity has competing professional or personal obligations to other parties in a financial transaction (e.g. underwriting a securities transaction and simultaneously advising clients whether to buy the security or not) or in ongoing financial relationships (e.g. when a specialised licensee has a director or one of its major customers on its board), or personal or financial interests that would make it difficult to fulfil his duties fairly.

Controlled function

A function carried on by an approved person in relation to a licensee that requires prior CBB approval: cf. AU-1.2.

Controller

As defined under Paragraph GR-5.2.1, a controller 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 more than 10% of the voting power in L; or
- (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 more than 10% of the voting power in P; or
- (c) Is able to exercise significant influence over the management of L or P.

Controller's family

(to be defined at a later date)

Conventional bank licensees

A bank licensed by CBB under Volume 1 of the CBB Rulebook, and generally operating according to conventional finance principles (as opposed to operating in accordance with Islamic finance principles).

Customer

A customer refers to a person or persons who have a business relationship with the licensee—those who receive and use or are directly affected by the products and services of the licensee.



D

Director(s)

A person who acts in the capacity of director of a firm (whether appointed or not, or whether titled director or not). In the case of a sole trader, unincorporated body or partnership, a person directing its affairs, or a partner (of a partnership). Where relevant for CBB licensees, directors are a controlled function: see AU-1.2.2.



E

Employees

An individual: a) who is employed or appointed by a person in connection with that person's business, whether under a contract of service or otherwise; or b) whose services, under an arrangement between that person and a third party, are placed at the disposal and under the control of that person.

Executive Director

Means a director who is an officer or employee, or is otherwise involved in day-to-day management, of either:

- (a) The licensee;
- (b) Another company which is a controller of the licensee;
- (c) Another company of which the licensee is a controller; or
- (d) Another company which is controlled by a controller of the licensee.

In this definition, the word “company” which is a controller of the licensee excludes sovereigns such as government owned entities and government ministries.



F

Financing companies

A person licensed under Volume 5 of the CBB Rulebook to undertake regulated financing company services.

Fund administrators

A person licensed under Volume 5 of the CBB Rulebook to undertake regulated administration services as defined in Paragraph AU-1.1.11.



G

General Manager

The General Manager (of a firm whether incorporated in Bahrain or not) means a person who (regardless of actual title) is responsible, alone or jointly, for the conduct of the whole of the firm, or in the case of an overseas licensee, for all the activities of the branch. Equivalent to Chief Executive in the case of firms incorporated in Bahrain (cf. Rule AU-1.2.9).



H

Head of Function

A person who, under the immediate authority of the chief executive or general manager, exercises one or more major managerial functions or is responsible for maintaining accounts or other records of the firm (cf. Rule AU-1.2.10).

Home supervisor

The competent authority in which the parent licensee is incorporated, or in which the head office of a branch is incorporated.



Insurance licensees

An insurance firm, insurance broker, insurance consultant, insurance manager or an insurance exchange operator who has been granted a licence by the CBB to undertake regulated insurance services as defined in Section AU-1.4 of Volume 3 (Insurance).

Investment firm licensee(s)

A person licensed under Volume 4 of the CBB Rulebook to undertake regulated investment business services.

Islamic bank licensees

A bank licensed by CBB under Volume 2 of the CBB Rulebook, and generally operating according to Islamic finance principles (as opposed to operating in accordance with conventional finance principles).



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Lead Supervisor

In the context of groups containing regulated financial companies, the principal regulator supervising those financial companies on a consolidated basis.

Licensed exchange(s)

“Licensed exchange” means an exchange licensed in respect of the operation of its market in and from the Kingdom of Bahrain.

Licensee(s)

Any person licensed by the CBB under any of the Volumes of the CBB Rulebook.



M

Market (as referred to in the definition of licensed exchange)

“Market” means a place at which, or a facility (whether electronic or otherwise) by means of which, offers or invitations to sell, purchase or exchange securities or futures contracts (including options and derivatives) regularly made on a centralised basis, being offers or invitations that are intended or may reasonably be expected to result, whether directly or indirectly, in the acceptance or making, respectively, of offers to sell, purchase or exchange securities or futures contracts (whether through that place or facility or otherwise).

Micro-finance institutions

A person licensed under Volume 5 of the CBB Rulebook to undertake regulated micro-finance services.

Money changer or money changer licensee(s)

A person who has been granted a licence by the CBB to undertake regulated money changer services as defined in Paragraph AU-1.1.8 of Module AU (Authorisation) for Money changers.

Money Changers’ Business Code of Practice (‘the Code’)

Business conduct code included in Chapter 2 of Module BC (Business Conduct) for Money changers.



N

Non-executive Director

Means any director who is not an executive director.



O

Outsourcing

The use of a person to provide customised services to a licensee other than by a director or employee of the licensee.

Outsourcing provider

The person providing the customised services as described in the definition of "outsourcing".

Overseas specialised licensee(s)/Overseas licensee(s)

A specialised licensee which is incorporated in an overseas jurisdiction and operates in the Kingdom of Bahrain through a branch licensed by the CBB.



P

Parent Undertaking

An undertaking or individual ('P'), which has the following relationship to another undertaking ('S'):

- (i) P holds (alone or, under an agreement with other shareholders) a majority of the voting rights in S;
- (ii) P (alone or in conjunction with its other subsidiary undertakings), has the right to appoint or remove a majority of its board of directors;
- (iii) P has the right to exercise a dominant influence over S, either through provisions contained in S's memorandum or articles, or a control contract; or
- (iv) P is a parent undertaking of a parent undertaking of S.

Politically Exposed Person or ('PEP')

Defined in Paragraph FC-1.5.4.



Q

Qualified by Exception

A report issued by an appointed expert that is qualified and indicates that certain areas or issues remain unresolved or are unverifiable due to certain limitations imposed on the appointed expert's work. The report will clearly indicate the type and reason for exception and the action that would have been taken by the appointed experts had the mentioned limitation not been placed on their work.



R

Registrar

A person licensed under Volume 5 of the CBB Rulebook to undertake regulated administration services as defined in Paragraph AU-1.1.12.

Regulated administration services

Any of the regulated activities permitted to be undertaken by a fund administrator or registrar outlined in Module AU_Administrators Paragraphs AU-1.1.11 and AU-1.1.12.

Regulated investment services

Any of the following, as further defined in Volume 4 (Investment Business) Section AU-1.4:

- (a) Dealing in financial instruments as principal;
- (b) Dealing in financial instruments as agent;
- (c) Arranging deals in financial instruments;
- (d) Managing financial instruments;
- (e) Safeguarding financial instruments (i.e. custodian) ;
- (f) Advising on financial instruments; and
- (g) Operating a collective investment undertaking (i.e. an operator).

Regulated (Islamic) banking services

Any of the regulated activities permitted to be undertaken by a conventional bank or Islamic bank licensee as outlined in Paragraph LR-1.3.1 for Volumes 1 and 2 of the CBB Rulebook.

Regulated money changer services

Any of the regulated activities permitted to be undertaken by a money changer licensee as outlined in Module AU_Money Changers Paragraph AU-1.1.8.

Regulated representative office services

Any of the regulated activities permitted to be undertaken by a representative office licensee as outlined in Module AU_Representative Offices Paragraph AU-1.3.1.

Regulated services

Means those financial services regulated by the CBB and more particularly defined in Regulation No 1 of 2007.



Regulated specialised activities

Any of regulated activities permitted to be undertaken by specialised licensed as outlined in their specific Module AU.

Relevant Authorities

For the purposes of Module FC, relevant authority refers to the authorities listed in Rule FC-5.3.1

Relevant Operating Expenses

For the purposes of calculating a licensee's annual CBB license fee, relevant operating expenses are defined as the total operating expenses of the licensee concerned, as recorded in the most recent audited financial statements available, excluding the following items:

- (a) Training costs;
- (b) Charitable donations;
- (c) CBB fees paid; and
- (d) Non-executive Directors' remuneration.

Remuneration

Means all types of compensation including but not limited to salary, fee and non-cash benefits such as grants of stock, stock options or pension benefits.

Representative office or Representative office licensee(s)

A person who has been granted a licence by the CBB to undertake regulated representative office services as defined in Section AU-1.3.

Representative office manager or “Rep Manager”

A person who is responsible for the conduct of a representative office.

Reputational risk

Reputational risk is the potential that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions.

Retail bank

A bank licensed in accordance with Volumes 1 or 2 of the CBB Rulebook.



S

Senior Manager/Management

Refers to individuals occupying the position of CEO or head of function.

Service level agreement(s)

An agreement forming part of the Outsourcing Agreement between the outsourcing service provider and the licensee that outlines the standards of service to be provided by the outsourcing service provider.

Shareholders

Persons who own shares in a company.

Significant transaction

For purposes of Module FC, in the absence of automated transaction monitoring systems, all transactions above BD 6,000 must be viewed as “significant”.



Specialised Licensee(s)

A person licensed under Volume 5 of the CBB Rulebook.

Subsidiary or subsidiary undertaking

A company or other enterprise controlled by another company or enterprise (the parent or the holding company), including any other legal entity or other forms such as contractual agreements, where the licensee exercises a majority shareholding or has majority voting control by virtue of direct ownership or by proxy/nominee arrangements.

Succession plan

A plan developed by a licensee that would lay down the licensee's strategy with respect to succession of various senior management or board positions within the licensee.



T

Trilateral Meeting

A meeting between a licensee, appointed expert and the CBB.

Trust service providers

(to be defined at a later stage)

U

V

W

X

Y

Z