



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.
January 2013	Added definition for financial services, person. Added definition of branch(es), connected person(s), family, financial instrument(s), financing company licensee(s), independent director, regulated financing company service(s) and regulated insurance services. Added definition of core capital, gearing ratio and liabilities. Added definition for regulated ancillary services. Added definition for Collective investment undertakings.
January 2014	Added definition for associate(d), Bahrain domiciled CIU(s), base rate, conspicuous notice, eligible beneficiary(ies), framework, intra-group outsourcing, leverage ratio, liquid assets, maturity mismatch ratio, NIM, option(s), principal, qualifying liabilities, ROAE, ROAA, regulated microfinance service, small business(es) (SMEs), stock liquidity ratio. Amended definition for director(s), head of function, microfinance institution(s) or microfinance institution licensee(s), parent undertaking or parent.
October 2014	Corrected cross reference to relevant authorities.



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).

Associate(d)

A company or other enterprise, which is not a subsidiary or joint venture, over which the licensee has significant influence. Significant influence means the power to participate in financial and operating policy decisions. Such influence is presumed to exist if the licensee owns more than 20 percent of the associate.

Authorised person(s)

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



B

Bahrain domiciled CIU(s)

Bahrain domiciled CIUs are undertakings where:

- (a) The legal form of the CIU is established under the laws of the Kingdom of Bahrain; and
- (b) The CIU documents and contractual agreements are governed by the Laws of the Kingdom of Bahrain.

Bahraini specialised licensees

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

Base Rate

The interest rate that underpins lending to customers.

Branch(es)

A place of business which forms a legally dependent part of a licensee and which carries out directly all or some of the transactions inherent in the business of the relevant licensee.



C

CBB licensees

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

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 and GR-5.2.1 for financing companies)

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.

Collective Investment Undertaking(s) (‘CIUs’)

Collective investment undertakings (‘CIUs’) are undertakings:

- (i) The sole object of which is the collective investment of capital raised from the public or through private placement, including investment seeded by the operator, in financial instruments and other assets and which operates on the basis of risk-spreading as appropriate; and
- (ii) The holdings of which may be re-purchased or redeemed out of those undertakings’ assets, as appropriate.

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.

Connected person(s)

- (a) The individual's spouse and his/her son, adopted son, stepson, daughter, adopted daughter, step-daughter, father, step-father, mother, step-mother, brother, step-brother, sister or step-sister, under his/her guardianship or control;
- (b) A firm or corporation in which the individual or any persons mentioned in (a) has control of not less than 10% of the voting power in the firm or corporation, whether such control is exercised individually or jointly; or
- (c) Connected persons in relation to a firm or corporation means another firm or corporation in which the first-mentioned firm or corporation has control of not less than 10% of the voting power in that other firm or corporation.

Conspicuous notice

Means a written statement in both Arabic and English languages which is easily visible and legible and displayed in all credit institutions' premises open to the public (head offices and branches), and via means such as websites, newspapers and other press notices.

Controller's family

(to be defined at a later date)

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 for administrators, [GR-4.2.1 for financing companies] 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.



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).

Core Capital (as defined in CA-1.1.6_Financing Companies)

Core capital shall consist of the sum of items (a) to (e) below, less the sum of items (f) to (i) below:

- (a) Issued and fully paid ordinary shares (net of treasury shares);
- (b) Share premium reserve;
- (c) Perpetual non-cumulative preference shares;
- (d) All disclosed reserves brought forward, that are audited and approved by the shareholders, in the form of legal, general and other reserves created by appropriations of retained earnings, excluding fair value reserve¹;and
- (e) Retained profit brought forward;

LESS:

- (f) Goodwill;
- (g) Current interim cumulative net losses;
- (h) Unrealised gross losses arising from fair valuing equity securities²;
and
- (i) Other deductions, as specified by the CBB.

CPD

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

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.

¹ This refers to unrealised fair value gains reported directly in equity

² This refers to both 'net losses taken through P&L' and 'gross losses reported directly in equity'.



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; AU-1.4.2 for microfinance institutions.



Eligible Beneficiary(ies) (For Purposes of Module AU_Microfinance Institutions)

Low income individuals and small businesses, who are not eligible to secure financing facilities through the banking system that intend to get a credit facility to engage in small economic activities (examples: small farmers, fishermen, related activities, etc.).

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

Family

For purposes of Module AU, the term 'family' refers to father, mother, husband, wife, grandfather, grandmother, grandson and granddaughter.

Financial instrument(s)

Any of the following instruments:

- (a) Transferable securities;
- (b) Islamic financial instruments;
- (c) Money market instruments;
- (d) Units in collective investment undertakings;
- (e) Derivative contracts other than commodity derivatives;
- (f) Derivative contracts relating to commodities settled in cash;
- (g) Derivative contracts relating to commodities;
- (h) Credit derivatives;
- (i) Financial contracts for differences;
- (j) Other derivative contracts;
- (k) Interests in real estate property;
- (l) Certificates representing certain securities; and
- (m) Rights or Interests in Financial Instruments.

Financial services (as used in Module AU)

For the purpose of Module AU, financial services means:

- (a) Any dealings in any instrument defined as a financial instrument in any Volume of the CBB Rulebook;
- (b) Any arrangement where money, goods or services are made available to a person in exchange for his promise to pay at a later date and that arrangement is of a type habitually provided by another person for commercial gain;
- (c) Any arrangement in which money is solicited from the public in return for a promise of financial gain on, or safekeeping of, that money; or
- (d) Any product or other financial services in the area of regulated services (regulated by the CBB) marketed in the Kingdom of Bahrain.

Financing companies or financing company licensee(s)

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



Framework (as used in Module OM_Financing Companies)

Framework refers to the operational risk framework of a licensee. An operational risk framework refers to the internal control systems of the licensee and contains five inter-related elements:

- (a) Establishing the control culture within the licensee and ensuring regular oversight by the Board and the Management of the licensee;
- (b) Risk recognition and assessment;
- (c) Control activities and segregation of duties;
- (d) Information and communication; and
- (e) Monitoring activities and correcting deficiencies.

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

Gearing Ratio

For purposes of Module CA for financing companies, the gearing ratio is defined as the core capital divided by the total liabilities.

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; AU-1.4 for microfinance institutions).

Home supervisor

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



Independent director

Determination by the Board. Under Module HC an ‘independent director’ is a director whom the board has specifically determined has no material relationship which could affect his independence of judgment, taking into account all known facts. The board should consider that, although a particular director meets the formal requirements, he may not be independent owing to specific circumstances of the person or the licensee, ownership structure of the licensee, or for any other reason. The board’s determination should be a good faith finding after diligent review and full discussion.

Formal Requirements. ‘Independent director’ means a non-executive director of the licensee who, or whose family shareholders either separately or together with him or each other, does not have any material pecuniary relationships or transactions with the licensee (not counting director’s remuneration for this purpose) and in particular who, during the one year preceding the time in question met all the following conditions:

- (a) Was not an employee of the licensee;
- (b) Did not:
 - (i) Make to, or receive from, the licensee payments of more than 31,000 BD or equivalent (not counting director’s remuneration);
 - (ii) Own more than a 10% share or other ownership interest, directly or indirectly, in an entity that made to or received from the licensee payments of more than such amount;
 - (iii) Act as a general partner, manager, director or officer of a partnership or company that made to or received from the licensee payments of more than such amount;
 - (iv) Have any significant contractual or business relationship with the licensee which could be seen to materially interfere with the person’s capacity to act in an independent manner,
- (c) Did not own directly or indirectly (including for this purpose ownership by any family member or related person) 5% or more of the shares of any type or class of the licensee;
- (d) Was not engaged directly or indirectly as an auditor or professional advisor for the licensee; and
- (e) Was not an associate of a Director or a member of senior management of the licensee.

For purposes of this definition, the ‘payments’ referred to in paragraph (b)(i), (b)(ii) and (b)(iii) do not include monies received from dividends and credit facilities arising from the licensee’s normal business activities, but instead ordinarily refer to monies received (and/or payable during the period in question) for services rendered to the licensee by the director or company concerned, or paid (or payable) by the concerned director or company to the licensee for services provided by the licensee. The CBB may in its absolute discretion vary any such requirement (and /or restrictive effect thereof) in writing on a case-by-case basis. Dividends and credit facilities are to be considered under item (b)(iv) of this definition.



For the purpose of the definition of “independent director”:

- (a) Where the term “family” or “family member or related persons” is used reference is made to: spouse, father, mother, son(s) or daughter(s); and
- (b) Where the term “associate” is used reference is made to:
 - (i) Spouse, father, mother, son(s) or daughter(s); or
 - (ii) A person who is an employee or partner of the Director or of the firm represented or owned by the Director.

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).

Intra-group outsourcing

Intra-group outsourcing is an arrangement in which one company within a group of companies provides services for another company within the same group that could also be or usually have been provided in-house.

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.

Leverage ratio (For Purposes of Module CA_Microfinance Institutions)

Defined under Paragraph CA-1.1.5 as the total equity divided by the total assets, where total equity is defined under Paragraph CA-1.1.6.

Liabilities

For purposes of Module CA for financing companies, liabilities are defined as the total amount of liabilities reported in the PIRF or PIRCC.

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.

Liquid assets (for financing companies)

For purposes of Paragraph LM-1.2.5, liquid assets are defined as:

- (a) Cash and unencumbered current accounts with financial institutions;
- (b) Placements with financial institutions maturing within one month;
- (c) Exchange traded financial instruments;
- (d) GCC government securities;
- (e) Other sovereign bonds and bills up to one year maturity, carrying a minimum rating of AA-; and
- (f) Accounts receivable due within one month.



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).

Maturity mismatch ratio (for financing companies)

The maturity mismatch ratio is calculated using the net cumulative mismatch figure obtained under Paragraph LM-1.3.4 as a percentage of total liabilities.

Microfinance institution(s) or microfinance institution licensee(s)

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

NIM

Net Interest Margin.

Non-executive Director

Means any director who is not an executive director.



O

Option(s)

An option is a contract giving the buyer the right, but not the obligation, to buy or sell any of the following at a specific price on or before a certain date:

- (a) Currency of the Kingdom of Bahrain or any other country or territory;
- (b) Palladium, platinum, gold or silver; or other commodity;
- (c) Option to acquire or dispose of a financial instrument of the kind specified by this definition by virtue of the above.

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 or Parent

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.

Person

Unless the context requires otherwise, a natural or corporate person.

Politically Exposed Person or ('PEP')

Defined in Paragraph FC-1.5.4.

Principal

Means the amount of credit received plus any other potential other charges, the total of which is subject to interest/profit.



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.

Qualifying liabilities (for financing companies)

For purposes of Paragraph LM-1.2.3, qualifying liabilities are defined as:

- (a) Liabilities due within one month; and
- (b) Irrevocable commitments to provide funds within one month.



R

ROAA

Return on Average Assets.

ROAE

Return on Average Equity.

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 ancillary services

Refer to any of the following categories:

- (a) Third Party Administrators;
- (b) Card Processing;
- (c) Credit reference bureau; or
- (d) Payment service provider.

Regulated financing company service(s)

Any of the regulated activities permitted to be undertaken by a financing company licensee outlined in Module AU_Financing Companies Paragraph AU-1.3.1.

Regulated insurance services

Any of the regulated activities permitted to be undertaken by an insurance licensee as outlined in Section AU-1.4 for Volume 3 (Insurance) of the CBB Rulebook.

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 microfinance service

Any of the regulated activities to be undertaken by a microfinance institution licensee as outlined in Module AU_Microfinance Institutions Paragraph AU-1.2.1.

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-5.3.2.

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”.

Small business(es) (SMEs)

Corporate entities, being an unlisted or unincorporated enterprise where the reported annual sales for the consolidated group of which the firm is a part is less than BD 2 million.



Specialised Licensee(s)

A person licensed under Volume 5 of the CBB Rulebook.

Stock liquidity ratio (for Financing companies)

Expressed as a percentage, must be calculated on each business day and is the ratio of the sum of the licensee's liquid assets, net of deductions required under Paragraph LM-1.2.6, divided by the sum of qualifying liabilities.

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