



# **Glossary of Defined Terms**



**Glossary History**

<b>Version Date</b>	<b>Description of Changes</b>
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.



## Glossary History

Version Date	Description of Changes
April 2016	Added definition for ancillary service provider(s) or ancillary service provider licensee(s), card processing or card processing service(s), core capital (for ancillary service providers), credit information, credit reference bureau, credit report, members of the credit reference bureau. Amended definition for approved persons, Chief Executive, Chief Executive Officer or CEO, close links, general manager, head of function.
July 2016	Amended definition of Politically Exposed Persons (PEPs).
October 2017	Added a definition for Beneficial Owner.
October 2017	Added a definition for Crowdfunding Platform Operator
October 2018	Added definitions relevant to PISPs and AISPs which are a sub category of payment service providers with an ancillary service license from the CBB
December 2018	Added new definitions for terms relevant to 'open banking' including, Account Information Service, Account Information Services Provider, Payment Initiation Service, Payment Initiation Services Provider, Payment Instrument and Licensee Maintaining Customer Accounts.
January 2019	Added definition of Originator Information.
October 2019	Amended the definition of 'Regulated ancillary services'.
October 2019	Added definition of 'without delay'.
July 2020	Amended definition of 'Independent director'.
October 2020	Added point (f) in definition of 'Independent director'.



## A

### **Account Information Service**

An ‘account information service’ is an online service which provides consolidated information to a customer on one or more accounts held by that customer with licensees maintaining customer accounts.

### **Account Information Service Provider or AISP (s)**

A person licensed by the CBB to undertake the activity of providing account information services online.

### **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.

### **Ancillary Service Provider(s) or Ancillary Service Provider Licensee(s)**

A person licensed under Volume 5 of the CBB Rulebook to undertake regulated ancillary services. These licensees are referred to as ‘financial sector support institutions’ under Article 1 of the CBB Law.

### **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; Section AU-1.3 for ancillary service providers).

### **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/ Bahraini licensees**

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

### **Base Rate**

The interest rate that underpins lending to customers.

### **Beneficial Owner**

Refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. This definition should also apply to “Ultimate beneficial ownership”.

### **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.

### **Card Processing or Card Processing Service(s)**

Ancillary service provider activity as defined under Paragraph AU-1.2.5 of Module AU\_Ancillary Service Provider.

### **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; AU-1.3.5 for ancillary service providers).

### **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; GR-5.2.1 for financing companies; GR-8.2.1 for ancillary service providers)**

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; GR-7.2.1 for ancillary service providers] 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).

## **Conventional retail bank licensee(s)**

Banks which undertake the regulated banking services of (a) to (o) in Paragraph LR-1.3.1 for both residents and non-residents of the Kingdom of Bahrain.

## **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 reserve<sup>1</sup>;and
- (e) Retained profit brought forward;

LESS:

- (f) Goodwill;
- (g) Current interim cumulative net losses;
- (h) Unrealised gross losses arising from fair valuing equity securities<sup>2</sup>;  
and
- (i) Other deductions, as specified by the CBB.

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<sup>1</sup> This refers to unrealised fair value gains reported directly in equity

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





## Core Capital (for Ancillary Service Providers)

Core capital refers to:

- (a) Issued and fully paid ordinary shares (net of treasury shares);
- (b) Share premium reserve;
- (c) 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 reserve;
- (d) Retained profit brought forward;

Less:

- (e) Current interim cumulative net losses; and
- (f) Other deductions, as specified by the CBB.

Interim profits which have been reviewed as per IAS 34 may be included as core capital.

## CPD

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

## Credit Information

As defined under Article (68 bis) b) 1) of the CBB Law, means any information and data related to financial obligations of customers of members of a credit reference bureau. This includes information and data related to all of the customer's debts (liabilities), credit facilities, sale on credit arrangements, sale by instalments, and any other claims due from the customer, along with their due dates, terms and conditions, and guarantees related to such claims, repayment, and the extent of the customers' commitments as well as the data and information related to government claims against the customer in the form of fees, instalments and fines, and any other claims due to government bodies. For this definition, customer means any of the customers of a credit reference bureau whom the credit reference bureau holds credit information as defined under Article (68 bis) b) 3) of the CBB Law.

## Credit Reference Bureau

A credit reference bureau is a company licensed by the CBB as an ancillary services provider that receives, stores, analyses and classifies the credit information of customers and issues credit reports and provides the members of the credit reference bureau with such reports upon their request (see Paragraph AU-1.2.6 of Module AU\_Ancillary Service Provider).

For this definition, customer means any of the customers of a credit reference bureau whom the credit reference bureau holds credit information as defined under Article (68 bis) b) 3) of the CBB Law.

## Credit Report

As defined under Article (68 bis) b) 4) of the CBB Law, means any report issued by any of the credit reference bureaus based upon a request by a customer or any of the members of the credit reference bureau and which includes credit information indicating the credit worthiness of the customer.



### **Crowdfunding Platform Operator**

A person licensed by the CBB under the CBB Rulebook Volume 5 in respect of operating a crowdfunding platform.

### **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; AU-1.4.2 for microfinance institutions; and AU-1.3.2 for ancillary service providers.



## E

### **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; AU-1.3.5 for ancillary service providers).



## 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; AU-1.3.6 for ancillary service providers).

### **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 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;
- (e) Was not an associate of a Director or a member of senior management of the licensee; and
- (f) Was not an associate of a Director, member of senior management or board member of the licensee’s controller.

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).

### **Islamic retail banks licensee(s)**

Banks which undertake the regulated banking services of (a) to (n) in Paragraph LR-1.3.1 for both residents and non-residents of the Kingdom of Bahrain.



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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.

### **Licensee maintaining customer account(s)**

Banks, financing companies and, or as the case may be, credit card or PSPs operating digital wallets, who allow AISPs and PISPs access to customer accounts with the explicit customer consent.

### **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.

### **Members of the credit reference bureau**

As defined under Article (68 bis) b) 2) of the CBB Law, means CBB licensees as designated by the CBB, government bodies as specified by the Bahrain Cabinet of Ministers resolution and any other person as specified by the CBB resolution issued in coordination with the concerned regulatory body of such person.

### **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.



**NIM**

Net Interest Margin.

**Non-executive Director**

Means any director who is not an executive director.



## O

### **Operational risk**

Operational risk is the risk to the firm of financial loss or reputational loss resulting from inadequate or failed internal processes, people and systems, or from external events including risks of internal and external frauds and risks surrounding cyber security.

### **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.

### **Originator Information**

- a) The name of the payer.
- b) The address of the payer.
- c) The account number of the payer (where funds are being remitted from an account with your bank).

### **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.

### Payment Initiation Service

A 'payment initiation service' is an online service to initiate a payment order at the request of a customer from a payment account held at a licensee maintaining customer accounts with the customer's explicit consent and authentication.

### Payment Initiation Service Provider (s) or PISP(s)

A person licensed by the CBB to undertake payment initiation services.

### Payment Instrument (s)

A medium, device or software application used by customers to initiate online financial services.

### Person

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

### Politically Exposed Person or ('PEP')

'Politically Exposed Persons' or 'PEPs' means individuals who are, or have been entrusted with prominent public functions in Bahrain or a foreign country, for example Heads of State or government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations or important political party officials or persons who are or have been entrusted with a prominent function by an international organisation. Business relationships with family members or close associates of PEPs involve reputational risks similar to PEPs themselves. The definition is not intended to cover middle-ranking or more junior officials in the foregoing categories. Bahraini PEPs would include all Ministers, all MPs, and all Ministry officials with the rank of Undersecretary or above.

### 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) Permitted services undertaken by third party administrators (TPA);
- (b) Card processing;
- (c) Services undertaken by Credit reference bureau;
- (d) Permitted payment services provided by payment service provider (PSP);
- (e) Shari'a advisory/review services;
- (ee) Permitted activities of a crowdfunding platform operator;
- (f) Providing account information services;
- (g) Providing payment initiation services; and
- (h) Any other ancillary services that are related to the financial services industry.

### **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-5.3.1

### **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”.

### **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**

**Without delay**

The phrase *without delay* means, ideally, within a matter of hours of a designation by the United Nations Security Council or its relevant Sanctions Committee (e.g. the 1267 Committee, the 1988 Committee, the 1718 Sanctions Committee or the 1737 Sanctions Committee). For the purposes of S/RES/1373(2001), the phrase *without delay* means upon having reasonable grounds, or a reasonable basis, to suspect or believe that a person or entity is a terrorist, one who finances terrorism or a terrorist organisation. In both cases, the phrase *without delay* should be interpreted in the context of the need to prevent the flight or dissipation of funds or other assets which are linked to terrorists, terrorist organisations, those who finance terrorism, and to the financing of proliferation of weapons of mass destruction, and the need for global, concerted action to interdict and disrupt their flow swiftly.

**X**

**Y**

**Z**