



EDBS/KH/14/2013  
12 February 2013

**Chief Executive Officer**  
All Financing Companies  
Audit Firms  
Law Firms  
Manama  
Kingdom of Bahrain

Dear Sir,

### **CBB Rulebook: Volume 5 Specialised Licensees (Financing Companies)**

Following the consultations that took place in 2012, the Central Bank of Bahrain ('CBB') is pleased to officially launch a series of specific Modules for financing companies.

This part of the Rulebook is issued as part of the CBB's initiative in developing a regulatory framework for licensees not covered by the other volumes of the CBB Rulebook. Prior to the issuance of this circular, financing companies were subject to the requirements of Volume 1 (conventional banks) or Volume 2 (Islamic banks). However, with effect of the date of this circular, financing companies will be subject to Volume 5 which provides a comprehensive regulatory and supervisory framework for specialised licensees including financing companies.

**This letter contains important information on how Volume 5 is to be accessed and used by financing companies. Please disseminate this information within your organisation and take the actions required set out below.**

The Rulebook is available on the CBB website<sup>1</sup>. The website version of the Rulebook acts as the definitive text, in case of any discrepancies.

<sup>1</sup> Volume 5 can be accessed from [www.cbb.gov.bh](http://www.cbb.gov.bh) : from the Home page, select 'CBB Rulebooks' and then 'Volume 5'.

## Using the Rulebook

A User's Guide which can be found at the start of Volume 5 (Specialised Licensees) provides detailed guidance on how to use the Rulebook. Here are a few more comments that may assist you in using Volume 5.

The structure of Volume 5 of the CBB Rulebook is comprised of common modules and specific modules. Common modules are addressed to all licensees of Volume 5 as the requirements are general for all specialised licensees. Specific modules are addressed for each specialised licensee i.e., financing companies authorisation module is addressed only to financing companies.

The common modules applicable to financing companies include the following:

- ❖ User's Guide (UG),
- ❖ Principles of Business (PB),
- ❖ Auditors and Accounting Standards (AA),
- ❖ Financial Crime (FC), and
- ❖ Enforcement (EN).

These common modules are now live on the CBB Website and comments provided during the course of the 2012 consultations were considered and where appropriate, the common Modules have been updated accordingly.

The specific modules (Specialised Licensees Financing Companies) include the following:

Authorisation (AU)	High-level Controls (HC)
General Requirements (GR)	Capital Adequacy (CA)
Business and Market Conduct (BC)	Credit Risk Management (CM)
Operational Risk Management (OM)	Liquidity Risk Management (LM)
Training and Competency (TC)	CBB Reporting (BR)
Public Disclosure (PD)	

The release of specific modules for financing companies is being carried out in several phases. For this initial release, the common modules as well as modules AU, HC, BR, CA and GR are being provided along with the

updated Glossary and all reporting forms referred to in Module BR. All financing companies should now use Volume 5 as their reference for applicable supervisory rules and guidance. All former circulars for financing companies, pertaining to the Rules issued in these specific modules are now cancelled and superseded by Volume 5 of the CBB Rulebook.

The remaining specific modules for financing companies will be released for consultation during the course of 2013. Until such time as all specific financing companies modules are released, financing companies should continue to follow the requirements of Volume 1 (conventional banks) or Volume 2 (Islamic banks) for those outstanding Modules.

### Rulebook Maintenance

When required, the Rulebook will be updated quarterly by way of the CBB website. Amendments or additions will be posted on the website after each end-calendar quarter (i.e. in early January, April, July and October).

An e-mail summarising any significant changes will be sent to licensees every quarter. Please notify the CBB of an email address (preferably that of your Compliance Officer) to which these notifications may be sent.

Detailed guidance on how the Rulebook is updated is contained in the attachment to this letter.

The CBB hopes that the Rulebook will significantly enhance the transparency and accessibility of its supervisory process, and will prove a positive contribution to licensees operating in the Kingdom of Bahrain. Any general comments or feedback would be welcomed; these should be sent by e-mail to [Rulebook@cbb.gov.bh](mailto:Rulebook@cbb.gov.bh).

Yours sincerely,

  
**Khalid Hamad**

Attachment.

## **CBB RULEBOOK MAINTENANCE**

*This detailed guidance is an attachment to letter EDBS/14/2013 of 12<sup>th</sup> February 2013, regarding the publication of Volume 5 of the CBB Rulebook. It should be communicated to a licensee's Compliance Officer, and other relevant officials.*

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### *Rulebook structure*

1. Each Volume of the Rulebook is divided into two Parts, a Part A and a Part B. Part A contains the directives and regulations, comprising Modules arranged in groups according to their subject matter. Part B contains supporting material, namely a Glossary of Definitions, CBB authorisation and reporting forms and other Supplementary Information.
2. Each Module in a Volume is referenced using a two- or three-letter code that is usually a contraction or abbreviation of its title (e.g. "FC", for "Financial Crime"). These codes are used for cross-referencing within the text.
3. Each Module consists of Chapters, categorised into two types:
  2. A standard introductory chapter (referenced with a letter: e.g. FC-A); and
  3. Chapters containing the directives and regulations themselves (referenced with a number: e.g. FC-1, FC-2, etc.)
4. Chapters are further sub-divided into Sections (numbered consecutively after the Chapter number: e.g. FC-1.1, FC-1.2 etc). In turn, Sections are sub-divided into Paragraphs (numbered consecutively after the Chapter and Section numbers: e.g. FC-1.1.1, FC-1.1.2 etc.). Where appropriate, headings may also be used within a Section: sub-section headings are italicised and unnumbered.
5. Page numbering starts afresh for each Section. Thus, when directives and regulations are updated, only the relevant Section needs to be reissued.

### *Version control*

6. The contents page for each Module, and each page in a Module, is given its own issue date. The contents page thus acts as a summary checklist of the current issue date in force for each Section.

### *Quarterly Updates*

7. The CBB Rulebook is updated, when required on a quarterly cycle. New versions of each Module are created in the month following each end-calendar quarter: i.e., in January, April, July and October. They are dated accordingly (e.g. "January 2013").
8. Except where there are changes or additions to actual directives or regulations, only the contents page of each Module is changed, and new end-quarter date. From the contents page, users can then check whether they have the latest Version for each Section of the Module.
9. For example, the contents page for a Module is dated October 2012. A Compliance Officer therefore knows that this is the latest contents page until the start of January 2013. From this contents page, he can see the end-quarter date for each section in this module.

*E-mail notifications*

10. After each end-calendar quarter, when the website version of the Rulebook is updated, a standard e-mail is sent by the CBB to each licensee's designated point of contact, providing:

- (i) A very brief "headline" summary of changes or additions (if any) to the directives and regulations in the Volume of the Rulebook concerned;
- (ii) Where (i) applies, for each Module affected, a list of the new/amended Sections concerned, with the reminder that these updated Sections should be consulted from the website version; and
- (iii) Regardless of whether (i) applies, a reminder that the contents page of each Module has been updated.

*Queries*

11. General enquiries regarding the administration of the Rulebook should be addressed to the Rulebook Section, in the CBB's Licensing & Policy Directorate. They should be contacted by e-mail, on [Rulebook@cbb.gov.bh](mailto:Rulebook@cbb.gov.bh). Enquiries regarding interpretation of policy should be addressed by licensees to their regular supervisory contact, as before.

