



# **MICROFINANCE INSTITUTIONS CBB REPORTING REQUIREMENTS MODULE**



<b>MODULE:</b>	<b>CBB Reporting Requirements</b>
<b>Table of Contents</b>	

		<b>Date Last Changed</b>
<b>BR-A</b>	<b>Introduction</b>	
	BR-A.1 Purpose	01/2014
	BR-A.2 Module History	04/2014
<b>BR-B</b>	<b>Scope of Application</b>	
	BR-B.1 Scope of Application	01/2014
<b>BR-1</b>	<b>Prudential Reporting</b>	
	BR-1.1 Annual Requirements	01/2014
	BR-1.2 <b>Quarterly Requirements</b>	04/2014
	BR-1.3 Monthly Requirements	01/2014
	BR-1.4 IIS Reporting Requirements	01/2014
<b>BR-2</b>	<b>Notification and Approvals</b>	
	BR-2.1 Introduction	01/2014
	BR-2.2 Notification Requirements	01/2014
	BR-2.3 Approval Requirements	01/2014
<b>BR-3</b>	<b>Information Gathering by the CBB</b>	
	BR-3.1 Power to Request Information	01/2014
	BR-3.2 Access to Premises	01/2014
	BR-3.3 Accuracy of Information	01/2014
	BR-3.4 Methods of Information Gathering	01/2014
	BR-3.5 Role of the Appointed Expert	01/2014
<b>APPENDICES</b>		
Appendix BR-1	PIR—Prudential Information Report Microfinance Institutions	01/2014
Appendix BR-2	Guidelines for Completion of PIR	01/2014
Appendix BR-3	Agreed Upon Procedures Report	01/2014
Appendix BR-6	Report – Board and Committee Meetings	01/2014
Appendix BR-10	Appointed Experts Report	01/2014



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-A:	Introduction

## BR-A.1 Purpose

### *Executive Summary*

BR-A.1.1 This Module sets out requirements applicable to microfinance institutions licensees regarding reporting to the CBB. These include the provision of financial information to the CBB by way of prudential returns, as well as notification to the CBB of certain specified events, some of which require prior CBB approval. This Module also outlines the methods used by the CBB in gathering information required in the supervision of microfinance institutions licensees.

BR-A.1.2 This Module provides support for certain other parts of the Rulebook, mainly:

- (a) Principles of Business;
- (b) Public Disclosure;
- (c) Risk Management;
- (d) Financial Crime;
- (e) Capital Adequacy;
- (f) High-Level Controls;
- (g) Business Conduct; and
- (h) Auditors and Accounting Standards.

BR-A.1.3 Unless otherwise stated, all reports referred to in this Module should be addressed to the director of the relevant supervision directorate of the CBB.

### *Legal Basis*

**BR-A.1.4** This Module contains the CBB's Directive relating to reporting requirements applicable to microfinance institutions licensees and is issued under the powers available to the CBB under Article 38 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law').

BR-A.1.5 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-A:</b>	<b>Introduction</b>

## BR-A.2 Module History

### *Evolution of Module*

BR-A.2.1 This Module was first issued in January 2014 by the CBB. All subsequent changes to this Module are annotated with the end-calendar quarter date in which the change was made. Chapter UG-3 provides further details on Rulebook maintenance and version control.

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

Module Ref.	Change Date	Description of Changes
BR-1.2.5	04/2014	Deleted semi-annual reporting requirements.



MODULE	BR:	CBB Reporting
CHAPTER	BR-B:	Scope of Application

## BR-B.1 Scope of Application

### BR-B.1.1

The content of this Module applies to all microfinance institutions licensees authorised in the Kingdom (thereafter referred to in this Module as licensees).



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-1:	Prudential Reporting

## BR-1.1 Annual Requirements

### BR-1.1.1

All licensees are required to submit to the CBB their annual audited financial statements within 3 months of the financial year end.

### BR-1.1.2

In accordance with the provisions of Section AA-4.1, the audited financial statements and the annual reports of the licensees must be in full compliance with:

- (a) The International Financial Reporting Standards (IFRS); or
- (b) AAOIFI Financial Accounting Standards for Sharia Compliant licensees and for products and activities not covered by AAOIFI, International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) must be followed; and
- (c) The disclosure requirements set out under Section PD-1.3.

### BR-1.1.3

In addition to the statements required in Paragraph BR-1.1.1, licensees are required to submit to the CBB the following information within 3 months of the financial year end:

- (a) The external auditor's management letter;
- (b) Audited financial statements of all subsidiaries along with their management letters;
- (c) The licensee's group structure and the internal organisation chart;
- (d) A list of non-performing and rescheduled credit facilities (including name of customer, country, amount outstanding, net interest income for the year attributed to profit & loss and the reasons for attributing interest/profit to income);
- (e) A reconciliation statement between the audited financial statements and the relevant prudential returns;
- (f) The report on controllers as required under Paragraph GR-4.1.10;
- (g) A report on the licensee's close links as required under Paragraph GR-5.1.3; and
- (h) Any supplementary information as required by the CBB.

### BR-1.1.4

In accordance with Paragraph HC-1.3.8, licensees must submit annually a report recording the board meetings held during the year. Such report must be submitted to the CBB, within 20 calendar days of the end of the reporting date, as an attachment to the year-end quarterly PIR. Reference should be made to Appendix BR-6, Board and Committee Meetings, under part B/Reporting Forms of Volume 5 for a sample of such report.



MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-1: Prudential Reporting

## BR-1.2 Quarterly Requirements

### BR-1.2.1

All licensees must complete the applicable PIR forms (see Appendix BR-1 under Part B of Volume 5 for microfinance institutions). This form is intended to be a financial report of the licensee as a separate legal entity. Licensees must include all assets and liabilities of their head office and their branches in Bahrain (if any) and abroad (and subsidiaries, where applicable).

### BR-1.2.2

The PIR forms referred to under Paragraph BR-1.2.1 must be submitted to the CBB on a quarterly basis within 20 calendar days of the end of the reporting date.

### BR-1.2.3

The CBB requires all licensees to request their external auditor to conduct a review of the prudential return on a quarterly basis. The results of such review (in the form of an Agreed Upon Procedures report as shown in Appendix BR-3) must be submitted to the CBB's relevant supervision Directorate no later than 2 months from the end of the subject quarter. A licensee may apply for exemption from this requirement provided that it meets the criteria set out under Paragraph BR-1.2.4.

### BR-1.2.4

Licensees which demonstrate to the satisfaction of the CBB that they have fulfilled all of the CBB's requirements with regard to Prudential Returns for at least two consecutive quarters may apply (in writing) to the CBB for an exemption from the review procedure set out in Paragraph BR-1.2.3.

### BR-1.2.5

[This Paragraph was deleted in April 2014.]



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-1:	Prudential Reporting

### BR-1.3 Monthly Requirements

**BR-1.3.1** All licensees which are listed on a licensed exchange in Bahrain must comply with the requirements of Volume 6 of the CBB Rulebook.





MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-1:	Prudential Reporting

## BR-1.4 IIS Reporting Requirements

### *Institutional Information System (IIS)*

#### BR-1.4.1

All licensees are required to complete online non-financial information related to their institution by accessing the CBB's institutional information system (IIS). Licensees must update the required information at least on a quarterly basis or when a significant change occurs in the non-financial information included in the IIS. If no information has changed during the quarter, the licensee must still access the IIS quarterly and confirm the information contained in the IIS.

BR-1.4.2 Licensees failing to comply with the requirements of Paragraph BR-1.4.1 or reporting inaccurate information are subject to financial penalties or other enforcement actions as outlined in Module (EN) Enforcement.



MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-2: Notifications and Approvals

## BR-2.1 Introduction

**BR-2.1.1** All notifications and requests for approvals required in this Chapter are to be submitted by licensees in writing.

BR-2.1.2 In this Chapter, the term ‘in writing’ includes electronic communications capable of being reproduced in paper form.

BR-2.1.3 Licensees are required to provide the CBB with a range of information to enable it to monitor the licensee’s compliance with Volume 5 of the CBB Rulebook. Some of this information is provided through regular reports, whereas others are in response to the occurrence of a particular event (such as a change in name or address). The following Sections list the commonly occurring reports for which a licensee will be required to notify the CBB or seek its approval.



MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-2: Notifications and Approvals

## BR-2.2 Notification Requirements

### *Matters Having a Serious Supervisory Impact*

#### BR-2.2.1

A licensee must notify the CBB if any of the following has occurred, may have occurred or may occur in the near future:

- (a) The licensee failing to satisfy one or more of the Principles of Business referred to in Module PB;
- (b) Any matter which could have a significant adverse impact on the licensee's reputation;
- (c) Any matter which could affect the licensee's ability to continue to provide adequate services to its customers and which could result in serious detriment to a customer of the licensee;
- (d) Any matter in respect of the licensee that could result in material financial consequences to the financial system or to other licensees;
- (e) A breach of any provision of the Rulebook (including a Principle);
- (f) A breach of any requirement imposed by the relevant law or by regulations or an order made under any relevant law by the CBB;
- (g) If a licensee becomes aware, or has information that reasonably suggests that it has or may have provided the CBB with information that was or may have been false, misleading, incomplete or inaccurate, or has or may have changed in a material way, it must notify the CBB immediately (ref. BR-3.3.2);  
or
- (h) If the licensee intends to suspend any or all the licensed regulated services or ceases business, setting out how it proposes to do so and, in particular, how it will treat any of its liabilities (ref GR-6.1.2).

BR-2.2.2 The circumstances that may give rise to any of the events in Paragraph BR-2.2.1 are wide-ranging and the probability of any matter resulting in such an outcome, and the severity of the outcome, may be difficult to determine. However, the CBB expects licensees to consider properly all potential consequences of events.

BR-2.2.3 In determining whether an event that may occur in the near future should be notified to the CBB, a licensee should consider both the probability of the event happening and the severity of the outcome should it happen. Matters having a supervisory impact could also include matters relating to a controller that may indirectly have an effect on the licensee.



MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-2: Notifications and Approvals

## BR-2.2 Notification Requirements (continued)

### *Legal, Professional, Administrative or other Proceedings against a Licensee*

#### BR-2.2.4

A licensee must notify the CBB immediately of any legal, professional or administrative or other proceedings instituted against the licensee, controller or a close link of the licensee that is known to the licensee and is significant in relation to the licensee's financial resources or its reputation.

#### BR-2.2.5

A licensee must notify the CBB of the bringing of a prosecution for, or conviction of, any offence under any relevant law against the licensee that would prevent the licensee from meeting the Principles of Business (Module PB) or any of its approved persons from meeting the fit and proper requirements of Module AU.

### *Fraud, Errors and other Irregularities*

#### BR-2.2.6

A licensee must notify the CBB immediately if one of the following events arises:

- (a) It becomes aware that an employee may have committed a fraud against one of its customers;
- (b) It becomes aware that a person, whether or not employed by it, is acting with intent to commit fraud against it;
- (c) It identifies irregularities in its accounting or other records, whether or not there is evidence of fraud;
- (d) It suspects that one of its employees may be guilty of serious misconduct concerning his honesty or integrity and which is connected with the licensee's regulated activities; or
- (e) Conflicts of interest.



MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-2: Notifications and Approvals

## BR-2.2 Notification Requirements (continued)

### *Insolvency, Bankruptcy and Winding Up*

#### BR-2.2.7

Except in instances where the CBB has initiated the following actions, a licensee must notify the CBB immediately of any of the following events:

- (a) The calling of a meeting to consider a resolution for winding up the licensee, a controller or close link of the licensee;
- (b) An application to dissolve a controller or close link of the licensee or to strike the licensee off the register of microfinance institutions;
- (c) The presentation of a petition for the winding up of a controller or close link of the licensee;
- (d) The making of any proposals, or the making of, a composition or arrangement with any one or more of the licensee's creditors, for material amounts of debt;
- (e) An application for the appointment of an administrator or trustee in bankruptcy to a controller or close link of the licensee;
- (f) The appointment of a receiver to a controller or close link of the licensee (whether an administrative receiver or a receiver appointed over particular property); or
- (g) An application for an interim order against the licensee, a controller or close link of the licensee under the Bankruptcy and Composition Law, Decree Law No(11), 1987 or similar legislation in another jurisdiction.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-2:	Notifications and Approvals

## BR-2.2 Notification Requirements (continued)

### *External Auditor*

#### BR-2.2.8

A licensee must notify the CBB of the following and the reason for the change:

- (a) Removal or resignation of auditor (ref. AA-1.2.1); or
- (b) Change in audit partner (ref. AA-1.3.3).

### *Approved Persons*

#### BR-2.2.9

A licensee must notify the CBB of the termination of employment of approved persons, including particulars of reasons for the termination and arrangements with regard to replacement (ref. AU-4.3.8 and AU-4.4.8).

### *Authorised Signatories*

#### BR-2.2.10

At the time of authorisation (when the license is granted) or whenever a change occurs, in order to maintain an up-to-date record of authorised signatories of respective financial institutions, the CBB requires all licensees to submit to it a list of specimen signatures of the officials authorised to sign on behalf of the concerned institution.

### *Current Management and Changes thereto*

#### BR-2.2.11

At the time of authorisation (when the license is granted) or whenever a change occurs, all licensees must keep the CBB informed, in writing, of the controlled functions held by approved persons. Such notification must include the following information:

- (a) Full name (and identity card for Bahrain resident management);
- (b) Contact details including address and emergency phone number;
- (c) Date of birth;
- (d) Place of birth (including town etc.);
- (e) Nationality;
- (f) Professional qualifications (by educational establishment and dates); and
- (g) Career details over the last ten years (with your institution or elsewhere).



MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-2: Notifications and Approvals

## BR-2.2 Notification Requirements (continued)

### *Breach of Capital Adequacy Requirements*

**BR-2.2.12** In the event that a licensee fails to meet any of the requirements specified in Module CA (Capital Adequacy) it must, on becoming aware that it has breached the requirements, immediately notify the CBB in writing (ref. CA-1.1.9).

**BR-2.2.13** As specified in Article 58 of the CBB Law, a licensee must notify the CBB immediately of any matter that may affect its financial position, currently or in the future, or limit its ability to meet its obligations.

### *Outsourcing Arrangements*

**BR-2.2.14** Licensees must immediately inform their relevant supervisory contact at the CBB of any material problems or changes encountered with an outsourcing provider (ref. RM-3.3.4).

### *Controllers*

**BR-2.2.15** If, as a result of circumstances outside the licensee's knowledge and/or control, one of the changes to their controllers specified in Paragraph GR-4.1.1 is triggered prior to CBB approval being sought or obtained, the licensee must notify the CBB the earlier of:

- (a) When the change takes effect; and
- (b) When the controller becomes aware of the proposed change (ref. GR-4.1.7).

**BR-2.2.16** As specified in Article 52 of the CBB Law, a licensee must notify the CBB of the following events:

- (a) If effective control over a licensee takes place indirectly whether by way of inheritance or otherwise;
- (b) Gaining control directly as a result of any action leading to it; or
- (c) The intention to take any of the actions that would lead to control.



MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-2: Notifications and Approvals

## BR-2.3 Approval Requirements

### *Branches or Subsidiaries*

**BR-2.3.1** In accordance with Rule AU-4.2.1, a licensee should seek prior written approval from the CBB for opening a branch or a subsidiary.

**BR-2.3.2** Licensees wishing to cancel an authorisation for a branch or subsidiary must obtain the CBB's written approval, before ceasing the activities of the branch or subsidiary.

### *Change in Name*

**BR-2.3.3** In accordance with Paragraph GR-2.1.1, a licensee must seek prior written approval from the CBB and give reasonable advance notice of a change in:

- (a) The licensee's name (which is the registered name if the licensee is a corporate body; or
- (b) The licensee's trade name.

**BR-2.3.4** The request under Paragraph BR-2.3.3 must include the details of the proposed new name and the date on which the licensee intends to implement the change of name.

### *Change of Address*

**BR-2.3.5** As specified in Article 51 of the CBB Law, a licensee must seek prior written approval from the CBB and give reasonable advance notice of a change in the address of the licensee's principal place of business in Bahrain, and that of its branches.

**BR-2.3.6** The request under Paragraph BR-2.3.5 must include the details of the proposed new address and the date on which the licensee intends to implement the change of address.

### *Change in Legal Status*

**BR-2.3.7** A licensee must seek CBB prior written approval and give reasonable advance notice of a change in its legal status that may, in any way, affect its relationship with or limit its liability to its customers.





MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-2: Notifications and Approvals

### BR-2.3 Approval Requirements (continued)

#### *Change in Paid-up or Issued Capital*

BR-2.3.8

As specified in Article 57(3) of the CBB Law, a licensee must seek CBB prior written approval before making any modification to its issued or paid-up capital.

#### *Controllers*

BR-2.3.9

In accordance with Section GR-4.1, licensees must seek CBB prior written approval and give reasonable advance notice of any of the following events concerning the licensee:

- (a) A person acquiring control or ceasing to have control;
- (b) An existing controller acquiring an additional type of control (such as ownership or significant influence) or ceasing to have a type of control;
- (c) An existing controller increasing the percentage of shares or voting power beyond 10%, 20% or 40%; and
- (d) An existing controller becoming or ceasing to be a parent undertaking.

#### *Mergers, Acquisitions, Disposals and Establishment of New Subsidiaries*

BR-2.3.10

As specified in Article 57 of the CBB Law, a licensee incorporated in Bahrain must seek CBB prior written approval and give reasonable advance notice of its intention to enter into a:

- (a) Merger with another undertaking; or
- (b) Proposed acquisition, disposal or establishment of a new subsidiary undertaking.



MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-2: Notifications and Approvals

### BR-2.3 Approval Requirements (continued)

#### *Write-offs*

- BR-2.3.11** Licensees must obtain the CBB's prior written approval before writing off any of the following exposures:
- (a) To any present or former director of the licensee;
  - (b) Which are guaranteed by a director of the licensee;
  - (c) To any business entity for which the licensee or any of its directors is an agent;
  - (d) To any officer or employee of the licensee, or any other person who receives remuneration from the licensee;
  - (e) To any business entity in which the licensee (or any of its directors, officers or other persons receiving remuneration from the licensee) has a material interest as a shareholder (i.e., 5% or more), or as a director, manager, agent or guarantor; and
  - (f) To any person who is a director, manager or officer of another licensee of the CBB.

#### *Outsourcing Arrangements*

- BR-2.3.12** A licensee must seek prior approval from the CBB for any outsourcing arrangements (see Paragraph RM-4.3.1), including the outsourcing of their internal audit function (see Section. RM-4.6)

#### *Matters Having a Supervisory Impact*

- BR-2.3.13** A licensee must seek prior approval from the CBB for any material changes or proposed changes to the information provided to the CBB in support of an authorisation application that occurs after authorisation has been granted.

- BR-2.3.14** Any licensee that wishes, intends or has been requested to do anything that might contravene, in its reasonable opinion, the provisions of United Nations Security Council Resolution (UNSCR) 1373 (and in particular Article 1, Paragraphs c) and d) of UNSCR 1373) must seek, in writing, the prior written opinion of the CBB on the matter (ref. FC-8.2.2).



MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-2: Notifications and Approvals

### BR-2.3 Approval Requirements (continued)

**BR-2.3.15** As specified in Article 57 of the CBB Law, a licensee wishing to modify its Memorandum or Articles of Association, must obtain prior written approval from the CBB.

**BR-2.3.16** As specified in Article 57 of the CBB Law, a licensee wishing to transfer all or a major part of its assets or liabilities inside or outside the Kingdom, must obtain prior written approval from the CBB.

#### *External Auditor*

**BR-2.3.17** A licensee must seek prior written approval from the CBB for the appointment or re-appointment of its external auditor (ref. AU-2.7.1 and AA-1.1.1)

#### *Dividend Distribution*

**BR-2.3.18** Licensees, must obtain the CBB's prior written approval to any dividend proposed to be distributed to the shareholders, before announcing the proposed dividend by way of press announcement or any other means of communication, in accordance with Chapter GR-3.

#### *Approved Persons*

**BR-2.3.19** A licensee must seek prior approval from the CBB for the appointment of persons undertaking a controlled function (ref. Article 65 of the CBB Law, AU-1.4 and AU-4.3.1).

**BR-2.3.20** Licensees must seek prior CBB approval before an approved person may move from one controlled function to another within the same licensee (ref. AU-4.3.11).

**BR-2.3.21** If a controlled function falls vacant, a licensee making immediate interim arrangements for the controlled function affected, must obtain approval from the CBB (ref. AU-4.4.9).



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-2:	Notifications and Approvals

### BR-2.3 Approval Requirements (continued)

#### *Cessation of Business*

##### BR-2.3.22

In accordance with Paragraph GR-6.1.1 and Article 50 of the CBB Law, licensees must seek the CBB's prior approval should they wish to cease to provide or suspend any or all of the licensed regulated services of their operations and/or liquidate their business.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-3:	Information Gathering by the CBB

## BR-3.1 Power to Request Information

### BR-3.1.1

In accordance with Article 111 of the CBB Law, licensees must provide all information that the CBB may reasonably request in order to discharge its regulatory obligations.

#### *Information Requested on Behalf of other Supervisors*

BR-3.1.2 The CBB may ask licensees to provide it with information at the request of or on behalf of other supervisors to enable them to discharge their functions properly. Those supervisors may include overseas supervisors or government agencies in Bahrain. The CBB may also, without notifying a licensee, pass on to those supervisors or agencies information that it already has in its possession.



MODULE	BR:	CBB Reporting
CHAPTER	BR-3:	Information Gathering by the CBB

## BR-3.2 Access to Premises

### BR-3.2.1

In accordance with Article 114 of the CBB Law, a licensee must permit representatives of the CBB, or appointed experts for the purpose by the CBB to have access, with or without notice, during reasonable business hours to any of its business premises in relation to the discharge of the CBB's functions under the relevant law.

### BR-3.2.2

A licensee must take reasonable steps to ensure that its agents and providers under outsourcing arrangements permit such access to their business premises, to the CBB.

### BR-3.2.3

A licensee must take reasonable steps to ensure that each of its providers under material outsourcing arrangements deals in an open and cooperative way with the CBB in the discharge of its functions in relation to the licensee.

### BR-3.2.4

The cooperation that licensees are expected to procure from such providers is similar to that expected of licensees themselves.



MODULE	BR:	CBB Reporting
CHAPTER	BR-3:	Information Gathering by the CBB

### BR-3.3 Accuracy of Information

#### BR-3.3.1

Licensees must take reasonable steps to ensure that all information they give the CBB is:

- (a) Factually accurate or, in the case of estimates and judgements, fairly and properly based after appropriate enquiries have been made by the licensee; and
- (b) Complete, in that it should include anything of which the CBB would reasonably expect notice.

#### BR-3.3.2

If a licensee becomes aware, or has information that reasonably suggests that it has or may have provided the CBB with information that was or may have been false, misleading, incomplete or inaccurate, or has or may have changed in a material way, it must notify the CBB immediately. The notification must include:

- (a) Details of the information which is or may be false, misleading, incomplete or inaccurate, or has or may have changed;
- (b) An explanation why such information was or may have been provided; and
- (c) The correct information.

#### BR-3.3.3

If the information in Paragraph BR-3.3.2 cannot be submitted with the notification (because it is not immediately available), it must instead be submitted as soon as possible afterwards.



<b>MODULE</b>	<b>BR: CBB Reporting</b>
<b>CHAPTER</b>	<b>BR-3: Information Gathering by the CBB</b>

## BR-3.4 Methods of Information Gathering

BR-3.4.1 The CBB uses various methods of information gathering on its own initiative which require the cooperation of licensees:

- (a) Representatives of the CBB may make onsite visits at the premises of the licensee. These visits may be made on a regular basis, on a sample basis, for special purposes such as theme visits (looking at a particular issue across a range of licensees), or when the CBB has a particular reason for visiting a licensee;
- (b) Appointees of the CBB may also make onsite visits at the premises of the licensee. Appointees of the CBB may include persons who are not CBB staff, but who have been appointed to undertake particular monitoring activities for the CBB, such as in the case of Appointed Experts (refer to Chapter EN-2);
- (c) The CBB may request the licensee to attend meetings at the CBB's premises or elsewhere;
- (d) The CBB may seek information or request documents by telephone, at meetings or in writing, including electronic communication; and
- (e) The CBB may require licensees to submit various documents or notifications, as per Chapter BR-2, in the ordinary course of their business such as financial reports or on the happening of a particular event in relation to the licensee such as a change in control.

BR-3.4.2 When seeking meetings with a licensee or access to the licensee's premises, the CBB or the CBB appointee needs to have access to a licensee's documents and personnel. Such requests will be made during reasonable business hours and with proper notice. There may be instances where the CBB may seek access to the licensee's premises without prior notice. While such visits are not customary, the prospect of unannounced visits is intended to encourage licensees to comply at all times with the requirements and standards imposed by the CBB as per legislation and Volume 5 of the CBB Rulebook.

BR-3.4.3 The CBB considers that a licensee should:

- (a) Make itself readily available for meetings with representatives or appointees of the CBB;
- (b) Give representatives or appointees of the CBB reasonable access to any records, files, tapes or computer systems, which are within the licensee's possession or control, and provide any facilities which the representatives or appointees may reasonably request;
- (c) Produce to representatives or appointees of the CBB specified documents, files, tapes, computer data or other material in the licensee's possession or control as reasonably requested;





<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting</b>
<b>CHAPTER</b>	<b>BR-3:</b>	<b>Information Gathering by the CBB</b>

#### **BR-3.4 Methods of Information Gathering (continued)**

- (d) Print information in the licensee's possession or control which is held on computer or otherwise convert it into a readily legible document or any other record which the CBB may reasonably request;
- (e) Permit representatives or appointees of the CBB to copy documents of other material on the premises of the licensee at the licensee's expense and to remove copies and hold them elsewhere, or provide any copies, as reasonably requested; and
- (f) Answer truthfully, fully and promptly all questions which representatives or appointees of the CBB reasonably put to it.

BR-3.4.4 The CBB considers that a licensee should take reasonable steps to ensure that the following persons act in the manner set out in Paragraph BR-3.4.3:

- (a) Its employees; and
- (b) Any other members of its group, and their employees.

BR-3.4.5 In gathering information to fulfill its supervisory duties, the CBB acts in a professional manner and with due regard to maintaining confidential information obtained during the course of its information gathering activities.



MODULE	BR:	CBB Reporting
CHAPTER	BR-3:	Information Gathering by the CBB

## BR-3.5 Role of the Appointed Expert

### *Introduction*

**BR-3.5.1** The content of this Chapter is applicable to all licensees and appointed experts.

BR-3.5.2 The purpose of the contents of this Chapter is to set out the roles and responsibilities of appointed experts when appointed pursuant to Article 114 or 121 of the CBB Law (see EN-2.1.1). These Articles empower the CBB to assign some of its officials or others to inspect or conduct investigations of licensees.

BR-3.5.3 The CBB uses its own inspectors to undertake on-site examinations of licensees as an integral part of its regular supervisory efforts. In addition, the CBB may commission reports on matters relating to the business of licensees in order to help it assess their compliance with CBB requirements. Inspections may be carried out either by the CBB's own officials, by duly qualified appointed experts appointed for the purpose by the CBB, or a combination of the two.

BR-3.5.4 The CBB will not, as a matter of general policy, publicise the appointment of an appointed expert, although it reserves the right to do so where this would help achieve its supervisory objectives. Both the appointed expert and the CBB are bound to confidentiality provisions restricting the disclosure of confidential information with regards to any such information obtained in the course of the investigation.

**BR-3.5.5** Unless the CBB otherwise permits, appointed experts should not be the same firm appointed as external auditor of the licensee.

**BR-3.5.6** Appointed experts will be appointed in writing, through an appointment letter, by the CBB. In each case, the CBB will decide on the range, scope and frequency of work to be carried out by appointed experts.

BR-3.5.7 All proposals to appoint appointed experts require approval by an Executive Director or more senior official of the CBB. The appointment will be made in writing, and made directly with the appointed experts concerned. A separate letter is sent to the licensee, notifying them of the appointment. At the CBB's discretion, a trilateral meeting may be held at any point, involving the CBB and representatives of the licensee and the appointed experts, to discuss any aspect of the investigation.

BR-3.5.8 Following the completion of the investigation, the CBB will normally provide feedback on the findings of the investigation to the licensee.



MODULE	BR:	CBB Reporting
CHAPTER	BR-3:	Information Gathering by the CBB

## BR-3.5 Role of the Appointed Expert (continued)

### BR-3.5.9

Appointed experts will report directly to and be responsible to the CBB in this context and will specify in their report any limitations placed on them in completing their work (for example due to the licensee's group structure). The report produced by the appointed experts is the property of the CBB (but is usually shared by the CBB with the licensee concerned).

### BR-3.5.10

Compliance by appointed experts with the contents of this Chapter will not, of itself, constitute a breach of any other duty owed by them to a particular licensee (i.e. create a conflict of interest).

### BR-3.5.11

The CBB may appoint one or more of its officials to work on the appointed experts' team for a particular licensee.

#### *The Required Report*

### BR-3.5.12

The scope of the required report will be determined and detailed by the CBB in the appointment letter. Commissioned appointed experts would normally be required to report on one or more of the following aspects of a licensee's business:

- (a) Accounting and other records;
- (b) Internal control systems;
- (c) Returns of information provided to the CBB;
- (d) Operations of certain departments; and/or
- (e) Other matters specified by the CBB.

### BR-3.5.13

Appointed experts will be required to form an opinion on whether, during the period examined, the licensee is in compliance with the relevant provisions of the CBB Law and the CBB's relevant requirements, as well as other requirements of Bahrain Law and, where relevant, industry best practice locally and/or internationally.

### BR-3.5.14

The appointed experts' report should follow the format set out in Appendix BR-10, in part B of the CBB Rulebook.

### BR-3.5.15

Unless otherwise directed by the CBB or unless the circumstances described in Section BR-3.5.19 apply, the report must be discussed with the board of directors and/or senior management in advance of it being sent to the CBB.



MODULE	BR:	CBB Reporting
CHAPTER	BR-3:	Information Gathering by the CBB

### BR-3.5 Role of the Appointed Expert (continued)

#### BR-3.5.16

Where the report is qualified by exception, the report must clearly set out the risks which the licensee runs by not correcting the weakness, with an indication of the severity of the weakness should it not be corrected. Appointed experts will be expected to report on the type, nature and extent of any weaknesses found during their work, as well as the implications of a failure to address and resolve such weaknesses.

#### BR-3.5.17

If the appointed experts conclude, after discussing the matter with the licensee, that they will give a negative opinion (as opposed to one qualified by exception) or that the issue of the report will be delayed, they must immediately inform the CBB in writing giving an explanation in this regard.

#### BR-3.5.18

The report must be completed, dated and submitted, together with any comments by directors or management (including any proposed timeframe within which the licensee has committed to resolving any issues highlighted by the report), to the CBB within the timeframe applicable.

#### *Other Notifications to the CBB*

#### BR-3.5.19

Appointed experts must communicate to the CBB, during the conduct of their duties, any reasonable belief or concern they may have that any of the requirements of the CBB, including the criteria for licensing a licensee (see Module AU), are not or have not been fulfilled, or that there has been a material loss or there exists a significant risk of material loss in the concerned licensee, or that the interests of customers are at risk because of adverse changes in the financial position or in the management or other resources of a licensee. Notwithstanding the above, it is primarily the licensee's responsibility to report such matters to the CBB.

#### BR-3.5.20

The CBB recognises that appointed experts cannot be expected to be aware of all circumstances which, had they known of them, would have led them to make a communication to the CBB as outlined above. It is only when appointed experts, in carrying out their duties, become aware of such a circumstance that they should make detailed inquiries with the above specific duty in mind.



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting</b>
<b>CHAPTER</b>	<b>BR-3:</b>	<b>Information Gathering by the CBB</b>

## BR-3.5 Role of the Appointed Expert (continued)

BR-3.5.21 If appointed experts decide to communicate directly with the CBB in the circumstances set out in Paragraph BR-3.5.19, they may wish to consider whether the matter should be reported at an appropriate senior level in the licensee at the same time and whether an appropriate senior representative of the licensee should be invited to attend the meeting with the CBB.

### *Permitted Disclosure by the CBB*

#### BR-3.5.22

Information which is confidential and has been obtained under, or for the purposes of, this chapter or the CBB Law may only be disclosed by the CBB in the circumstances permitted under the Law. This will allow the CBB to disclose information to appointed experts to fulfil their duties. It should be noted, however, that appointed experts must keep this information confidential and not divulge it to a third party except with the CBB's permission and/or unless required by Bahrain Law.

### *Trilateral Meeting*

BR-3.5.23 The CBB may, at its discretion, call for a trilateral meeting(s) to be held between the CBB and representatives of the relevant licensee and the appointed experts. This meeting will provide an opportunity to discuss the appointed experts' examination of, and report on, the licensee.