



MONEY CHANGERS CBB REPORTING MODULE



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MODULE	BR:	CBB Reporting
CHAPTER	BR-A:	Introduction

BR-A.1 Purpose

Executive Summary

BR-A.1.1 This Module sets out requirements applicable to 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 licensees.

BR-A.1.2 The requirements in this Module apply to all Money Changer licensees.

Legal Basis

BR-A.1.3

This Module contains the Central Bank of Bahrain's ('CBB') Directive (as amended from time to time) regarding CBB Reporting requirements applicable to 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'). Requirements regarding Money Changer Licensees are also included in the Regulation Organising Money Changing Business, issued in 1994 and included in this Module.

BR-A.1.4 For an explanation of the CBB's rule-making powers and different regulatory instruments, see section UG-1.1.



MODULE	BR: CBB Reporting
CHAPTER	BR-A: Introduction

BR-A.2 Module History

Evolution of Module

BR-A.2.1 This Module was first issued in October 2010. All subsequent changes to this Module are annotated with the end-calendar quarter date in which the change was made: 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-A.1.3	01/2011	Clarified legal basis.
BR-1.5.20 and 1.5.21	01/2011	Added IIS reporting requirements.
BR-2.1.5	01/2011	Minor amendment to clarify reference of guidance.
BR-2.2.5	01/2011	Minor amendment to correct typo.
BR-2.2.6, BR-2.2.12	01/2011	Minor amendment.
BR-2.2.7 and BR-2.2.8	01/2011	Guidance Paragraphs deleted.
BR-2.3.1, BR-2.3.2 and BR-2.3.14	04/2011	Clarified prior approval requirements in relation to subsidiary undertakings.
BR-3.1.1A and BR-3.1.1B	04/2012	Added Paragraphs to clarify Rules on power to request information.
BR-3.3.1 and BR-3.4	04/2012	Minor corrections.
BR-3.5	04/2012	New Section added to include material transferred from common Chapters EN-2 and AA-5



MODULE	BR:	CBB Reporting
CHAPTER	BR-A:	Introduction

BR-A.2 Module History

Superseded Requirements

BR-A.2.3 This Module supersedes the following provisions contained in circulars or other regulatory instruments:

Circular/ other reference	Subject
EDBC/73/96	No objection for promotions
BC/9/99	Quarterly Information Report (QIR).
BC/24/99	Submission of audited Accounts and Management Letter/ Dividend Approval
BC/1/2000	Monthly Return
BC/505/2001	Computerized Information Reports
EDBO/WR/007/2004	Report on Counterfeiting Activity
BS/09/2005	Accounts for Charity Organizations
CI/27/2006	Report on Counterfeit Currency Detection Equipment
OG/080/2007	Directive on measures to detect counterfeit currency



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 Money Changer licensees authorised in the Kingdom, thereafter referred to in this Module as licensees.



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

BR-1.1 Monthly Prudential Reporting

Monthly Prudential Return

BR-1.1.1

All licensees must prepare and submit to the CBB, through the Money Changers System, a Monthly Prudential Return (MC-MPR), using the prescribed Form MC-MPR, as contained in Part B of Volume 5.

BR-1.1.2

The Monthly Prudential Return must be submitted to the CBB within 20 calendar days of each month end.

Other Monthly Reports

BR-1.1.3

All licensees must submit a report to the CBB at the end of each month, listing the name(s) and transaction details of customers whose transactions either singly or aggregately are equivalent to, or greater than, 5% of the total turnover of the licensee, during a month.



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

BR-1.2 Quarterly Prudential Reporting

BR-1.2.1

All licensees must prepare and submit to the CBB, through the Money Changers System, a Quarterly Prudential Return (MC-QPR), using the prescribed Form MC-QPR, as contained in Part B of Volume 5.

BR-1.2.2

The Quarterly Prudential Return must be submitted to the CBB within 20 calendar days of each quarter end (as defined in Rule BR-1.2.4).

Valuation of Assets and Liabilities

BR-1.2.3

Amounts included within the Quarterly Prudential Return must be determined in accordance with the recognition and measurement principles specified by International Financial Reporting Standards.

BR-1.2.4

For the purpose of reporting requirements under this Section, the quarter end of a licensee must be a 3-month period ending on 31 March, 30 June, 30 September or 31 December.



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

BR-1.3 Annual Prudential Reporting

BR-1.3.1

All licensees must prepare and submit to the CBB, through the Money Changers System, an Annual Prudential Return (MC-APR), using the prescribed Form MC-APR, as contained in Part B of Volume 5.

BR-1.3.2

The Annual Prudential Return must be submitted to the CBB within 3 months of the end of the financial year (as defined in Rule BR-1.3.4).

Valuation of Assets and Liabilities

BR-1.3.3

Amounts included within the Annual Prudential Return must be determined in accordance with the recognition and measurement principles specified by International Financial Reporting Standards.

BR-1.3.4

The financial year of a licensee must be a 12-month period ending on 31 December, except where the licensee has obtained the written consent from the CBB for either the period or the period end to be other than 12 months and 31 December respectively. In any event, the financial year can never be less than a 6-month period or greater than an 18-month period.



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

BR-1.4 Public Disclosure

BR-1.4.1 Submitted Forms Monthly, Quarterly and Annual Prudential Reports are not public documents and will not be disclosed to third parties by the CBB without the licensee's consent. However, the CBB may from time to time publish aggregate information derived from such Forms, relating to licensees or the Bahrain money changing sector as a whole.

BR-1.4.2 Whilst submitted Forms are not public documents, licensees are not prevented from providing complete copies to third parties.



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

BR-1.5 Other Reporting Requirements

Audited Financial Statements

BR-1.5.1

As specified in Article 62 of the CBB Law, a licensee must submit to the CBB its final audited financial statements within 3 months of the licensee's financial year-end.

BR-1.5.2

Audited accounts of a licensee should be prepared in accordance with the International Financial Accounting Standards (IFRS) and with the requirements outlined in Appendix 1 at the end of this Module.

BR-1.5.3

The Management Letter prepared by the external auditor must be submitted together with the final audited financial statements.

Charity Accounts

BR-1.5.4

As per Rule FC-1.6.3 licensees must report at the end of every month, all payments and transfers of BD3,000 (or equivalent in foreign currencies) and above performed on behalf of charities registered in Bahrain. The report must be submitted to the CBB's Compliance Directorate, giving details of the amount transferred, name of charity, number and beneficiary name account and bank details.

Suspicious Transaction Reports (STR)

BR-1.5.5

As per Rule FC-5.2.4, licensees must report all suspicious transactions or attempted transactions to the Financial Intelligence Unit at the Ministry of Interior and to the Compliance Directorate at the CBB.

BR-1.5.6

As per Rule FC-1.8.2 licensees must make a suspicious transaction report to the Compliance Directorate at the CBB and the Financial Intelligence Unit at the Ministry of Interior, if they are approached by a shell bank or an institution they suspect of being a shell bank.



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

BR-1.5 Other Reporting Requirements (Continued)

BR-1.5.7 As per Rule FC-2.2.5, in the case of one-off transactions where there is no ongoing account relationship, the licensee must file an STR.

BR-1.5.8 As per Rule FC-5.2.3, if licensees suspect that a person has been engaged in money laundering or terrorism financing, or the activity concerned is regarded as suspicious, the licensee must report the fact promptly to the Financial Intelligence Unit at the Ministry of Interior and copy the Compliance Directorate at the CBB. The reports must be made using the STR Form and related instructions, included in Part B of Volume 5.

BR-1.5.9 As per Section FC-8.1, when dealing with entities or persons domiciled in countries or territories which are identified by the FATF as being non-cooperative or notified to licensees from time to time by the CBB, whenever the licensee has suspicions about the transaction, these must be reported to the Financial Intelligence Unit at the Ministry of Interior and the Compliance Directorate at the CBB.

BR-1.5.10 As per Rule FC-8.3.3, licensees must report to the Financial Intelligence Unit at the Ministry of Interior and the Compliance Directorate at the CBB, using the procedures contained in Section FC-5.2, details of any accounts or other dealings with persons and entities designated by the CBB as potentially linked to terrorist activity.

Reports Prepared by the MLRO

BR-1.5.11 As per Rule FC-4.3.1(a) and (b), licensees must arrange for their MLRO to produce a report containing the number of internal reports made in accordance with Section FC-5.1, a breakdown of all the results of those internal reports and their outcomes for each segment of the licensee's business, and an analysis of whether controls or training need to be enhanced and a report, indicating the number of external reports made in accordance with Section FC-5.2 and, where a licensee has made an internal report but not made an external report, noting why no external report was made. These reports are to be submitted to the CBB by the 30th of April of the following year.



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

BR-1.5 Other Reporting Requirements (Continued)

Report Prepared by the External Auditor

BR-1.5.12

As per Rule FC-4.3.1(d), licensees must arrange for their external auditor to produce a report as to the quality of the licensee's anti-money laundering procedures, systems and controls, and compliance with the AML Law and Module FC (Financial Crime) to be submitted to the CBB by the 30th of April of the following year.

Terrorist Financing

BR-1.5.13

As per Rule FC-8.2.4, licensees must report to the Compliance Directorate at the CBB, details of:

- a) Funds or other financial assets or economic resources have with them which may be the subject of Article 1, paragraphs (c) and (d) of UNSCR 1373; and
- b) All claims, whether actual or contingent, which the licensee has on persons and entities which may be the subject of Article 1, paragraphs (c) and (d) of UNSCR 1373.

Counterfeit Currency

BR-1.5.14

In accordance with Rule GR-10.1.3, licensees must submit a report on any counterfeit currency discovered. The report should detail the name of the customer, the date of receipt of the note(s), the name of the person who brought in the note(s), if different from the customer, and the action (if any) taken by the relevant licensee.



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

BR-1.5 Other Reporting Requirements (Continued)

BR-1.5.15

In the case of counterfeit Bahraini Dinar currency, the report should be submitted to the Director of Currency Issue at the CBB, the Director of the Compliance Directorate at the CBB and copied to the Director of the Financial Intelligence Unit at the Ministry of Interior.

BR-1.5.16

In the case of all other foreign counterfeit currency, the report should be submitted to the Director of the Compliance Directorate at the CBB and copied to the Director of the Financial Intelligence Unit at the Ministry of Interior.

BR-1.5.17

Licensees must submit a report, in the form of a confirmation letter, detailing the use of counterfeit currency detection equipment at the premises, as per required under section GR-10.1. The report must be submitted annually and must provide the exact specifications of counterfeit currency detection devices installed at each licensees head office and branches. The report should be submitted to the Currency Issue Directorate at the CBB within one month following the end of every financial year.

Insurance Coverage Return

BR-1.5.18

Licensees must submit an Insurance Coverage Return (Form ICR) on an annual basis. Additionally, they must provide, upon request, evidence to the CBB of the coverage in force.

Annual License Fee

BR-1.5.19

Licensees must complete and submit Form ALF (Annual License Fee) to the CBB, no later than 30 April each year, together with the payment due under Rule AU-5.2.1.

Institutional Information System (IIS)

BR-1.5.20

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.



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

BR-1.5 Other Reporting Requirements (Continued)

BR-1.5.21 Licensees failing to comply with the requirements of Paragraph BR-1.5.20 or reporting inaccurate information are subject to financial penalties or other enforcement actions as outlined in Module (EN) Enforcement.



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

BR-2.1 Introduction

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

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

BR-2.1.3 A licensee must make the notifications and approvals required in Chapter BR-2 immediately when it becomes aware, or has information which reasonably suggests, that any of the matters in Chapter BR-2 have occurred, may have occurred or may occur in the near future.

BR-2.1.4 The requirements imposed on licensees under this Chapter apply whether the event relates to a matter that has occurred in Bahrain or in any other jurisdiction.

BR-2.1.5 Licensees are required to provide the CBB with a range of information to enable it to monitor the licensee’s compliance with Volume 5 (Specialised Licensees) 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
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 significant 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; or
- (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).

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
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 or controller 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 Directors, officers or 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 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) Any conflicts of interest.

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 or a controller of the licensee;
- (b) An application to dissolve a controller of the licensee or to strike the licensee off the Register of Money Changing Companies;



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

BR-2.2 Notification Requirements (continued)

Insolvency, Bankruptcy and Winding Up (continued)

BR-2.2.7 (cont'd)

- (c) The presentation of a petition for the winding up of a controller 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 of the licensee;
- (f) The appointment of a receiver to a controller 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 of the licensee under the Bankruptcy and Composition Law of 1987 or similar legislation in another jurisdiction.

BR-2.2.8 [This Paragraph was deleted in January 2011].

BR-2.2.9 [This Paragraph was deleted in January 2011].

External Auditor

BR-2.2.10

A licensee must notify the CBB of the following:

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



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

BR-2.2 Notification Requirements (Continued)

Approved Persons

BR-2.2.11 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-4.4.6).

BR-2.2.12 Licensees must immediately notify the CBB when they become aware of any of the events listed in Paragraph EN-8.2.3, affecting one of their approved persons.

BR-2.2.13 Licensees must seek prior CBB approval before an approved person may move from one controlled function to another within the same licensee.

Capital Adequacy

BR-2.2.14 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-1.1.5).

BR-2.2.15 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.

Branches

BR-2.2.16 An application for authorisation of a new branch will not be considered by the CBB unless the written confirmation that the preceding branch is operational, as required in Rule AU-4.2.4 above, has been submitted.



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

BR-2.2 Notification Requirements (Continued)

Outsourcing Arrangements

BR-2.2.17

Licensees must immediately inform their normal supervisory contact at the CBB of any material problems or changes encountered with an outsourcing provider (ref. RM-2.1.11).

BR-2.2.18

A licensee must nominate an approved person within the licensee to handle the responsibility of the day-to-day relationship with the outsourcing provider and to ensure that relevant risks are addressed. The CBB should be informed of the designated individual as part of the written prior approval required under Rule RM-2.1.7.

Controllers

BR-2.2.19

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-5.1.1 is triggered prior to CBB approval being sought or obtained, the licensee must notify the CBB as soon as it becomes aware of the fact and no later than 15 calendar days after the change occurs (ref. GR-5.1.4).

BR-2.2.20

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.

Promotional Schemes

BR-2.2.21

Licensees must notify the CBB, and send copies of the documentation relating to promotional schemes, at least 2 weeks prior to their launch, after ensuring that such promotional schemes are in line with the Rules under Section BC-2.2.



MODULE	BR:	CBB Reporting
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-3.1.1, 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 body corporate); 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 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 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
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(a)3. of the CBB Law, a licensee must seek CBB approval before making any modification to its issued or paid-up capital. In the case that a licensee has been granted approval to increase its paid-up capital, confirmation from the external auditor stating that the amount has been deposited in the licensee's bank account will subsequently be required.

Licensed Regulated Activities

BR-2.3.9

Licensees wishing to cancel their license must obtain the CBB's written approval, before ceasing their activities. All such requests must be made in writing to the Director, Financial Institutions Supervision, setting out in full the reasons for the request and how the business is to be wound up.

BR-2.3.10

As specified in Article 50 of the CBB Law, a licensee wishing to cease to provide all or any of its licensed regulated services, completely or at any of its branches, must obtain prior written approval from the CBB.

BR-2.3.11

Licensees seeking to obtain the CBB's permission to cease business must submit to the CBB a formal request to the CBB for the appointment of a liquidator acceptable to the CBB.

Controllers

BR-2.3.12

In accordance with Section GR-5.1, licensees must seek CBB 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 50%; and
- (d) An existing controller becoming or ceasing to be a parent undertaking.



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

BR-2.3 Approval Requirements (Continued)

Mergers, Acquisitions, Disposals and Establishment of New Subsidiaries

BR-2.3.13

As specified in Article 57 of the CBB Law, a licensee incorporated in Bahrain must seek CBB 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.

BR-2.3.14

Licensees wishing to cancel an authorisation for a subsidiary undertaking must obtain the CBB's written approval, before ceasing the activities of the subsidiary.

Outsourcing Arrangements

BR-2.3.15

A licensee must seek prior approval from the CBB for the following:

- (a) Outsourcing of their internal audit function (ref. HC-2.3.3 and RM-2.4)
- (b) Material intra-group outsourcing (ref. RM-2.3); or
- (c) Outsourcing other material functions (RM-2.1).

Matters Having a Supervisory Impact

BR-2.3.16

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-2.3.17

Any licensee that wishes, intends or has been requested to do anything that might contravene, in its reasonable opinion, the provisions of 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
CHAPTER	BR-2:	Notifications and Approvals

BR-2.3 Approval Requirements (continued)

BR-2.3.18 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-2.3.19 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-2.3.20 A licensee must seek prior 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-2.3.21 Licensees, must obtain the CBB's prior written approval to any dividend proposed to be distributed to the shareholders, in accordance with Chapter GR-4.

Approved Persons

BR-2.3.22 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-1.2 and AU-4.3).

BR-2.3.23 Licensees must seek prior CBB approval before an approved person may move from one controlled function to another within the same licensee (ref. AU-4.3.10).

BR-2.3.24 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-4.4.6).



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

BR-2.3 Approval Requirements (continued)

Loans Extended to Related Parties

BR-2.3.25

In accordance with Section GR-11, Licensees must obtain the CBB's prior written approval for any loan in excess of BD15,000, extended to the employees of the business.

BR-2.3.26

Licensees must obtain the CBB's prior written approval before writing-off any loan extended to the employees of the business.

Withdrawals

BR-2.3.27

No funds may be withdrawn by shareholders from the licensee without the necessary prior written approval of the CBB.



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

BR-3.1 Power to Request Information

BR-3.1.1 Licensees must provide all information that the CBB may reasonably request in order to discharge its regulatory obligations.

BR-3.1.1A Licensees must provide all relevant information and assistance to the CBB inspectors and appointed experts on demand as required by Articles 111 and 114 of the CBB Law. Failure by licensees to cooperate fully with the CBB's inspectors or appointed experts, or to respond to their examination reports within the time limits specified, will be treated as demonstrating a material lack of cooperation with the CBB which will result in other enforcement measures being considered, as described elsewhere in Module EN. This rule is supported by Article 114(a) of the CBB Law.

BR-3.1.1B Article 163 of the CBB Law provides for criminal sanctions where false or misleading statements are made to the CBB or any person /appointed expert appointed by the CBB to conduct an inspection or investigation on the business of the licensee or the listed licensee.

Information Requested on Behalf of other Supervisors

BR-3.1.2 The CBB may ask a licensee 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

A licensee must permit representatives of the CBB, or persons appointed 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 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 **to** 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 **everything** which the CBB would reasonably **and ordinarily** expect **to have**.

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.



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

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, **or** 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 **Section BR-3.5**).
- (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;
- (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 **common**, 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 **may be** reasonably requested;



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

BR-3.4 Methods of Information Gathering (continued)

- BR-3.4.3(cont'd)
- (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 **may be** 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 The 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-6:	Information Gathering by the CBB

BR-3.5 The 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 firm 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-1, 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 The 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.

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.



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

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

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.



MODULE	BR: CBB Reporting
CHAPTER	Appendices: Appendix 1

Format of Financial Reporting

1. The auditor's report on the accounts must state whether, in his opinion:
 - a) The business has maintained proper accounting records;
 - b) The accounts have been prepared in accordance with the International Financial Accounting Standards (IFRS) and with requirements below;
 - c) The financial statements present, truly and fairly, the financial position of the business as at 31st December, xxxx; and
 - d) The business has complied with the Rules within the Money Changers Modules and with the terms and conditions of its license; in specific in respect of maintaining net assets, valid bank guarantee and separate commercial registration.

2. The accounts should be drawn up in accordance with the following breakdown:

A- Assets:

1. Cash in hand
2. Balances with banks payable within 7 days
3. Other balances with banks
4. Drafts receivable
5. Due from travellers' cheque companies
6. Gold
7. Other precious metals
8. Due from money changers
9. Fixed Assets
10. Other Assets

B- Liabilities

1. Drafts payable
2. Due to travellers' cheque companies
3. Due to money changers
4. Borrowings from banks
5. Other liabilities

C- Shareholders' Equity:

1. Paid-up Capital
2. Statutory Reserve
3. General Reserve
4. Retained Earnings/Loss

D- Off-Balance Sheet Items:

1. Unsettled foreign exchange contracts
2. Unsettled dealing in gold and other precious metals

E- Income Statement:

1. From dealing in foreign currencies
2. From selling and buying drafts
3. From selling and cashing travellers' cheques
4. From dealing in gold and precious metals
5. Interest income
6. Other income



MODULE	BR: CBB Reporting
CHAPTER	Appendices: Appendix 1

F- Expenses:

1. Staff expenses
 2. Office rent
 3. Interest expense
 4. Depreciation
 5. Provisions
 6. General expenses
 7. Other expenses
3. Any additional significant items in the accounts should be added in both the form and the notes to the accounts.
4. Additionally, the following guidelines should be observed:
- (a) Item A1, A2 and A3 – a breakdown of each item into assets denominated in Bahraini Dinars and foreign currencies should be provided in the notes.
 - (b) A4 and A5 – these are drafts/travellers' cheques purchased from customers for which the value will be received after the balance sheet date.
 - (c) A10 – If the amount is equal to or more than 10% of total assets, a breakdown should be disclosed in the note. In any events, loans to employees should be stated in a separate note.
 - (d) B1 and B2 – these are the drafts/traveller's cheques sold out to customers for which the value will be given after the balance sheet date.
 - (e) B4 – a breakdown of the borrowings should be given in the note together with the types of collateral provided against such borrowings.
 - (f) B5 – if the amount is equal to or more than 10% of total liabilities, a breakdown should be disclosed in the note.
 - (g) E6 – if the amount is equal to or more than 10% of total income a breakdown should be disclosed in the note.
 - (h) F1 – total number of staff employed should be disclosed with a breakdown of Bahraini and non-Bahraini together with their respective costs.
 - (i) B8 – if the amount is equal to or more than 10% of total expenses a breakdown should be disclosed in the note.