



**MONEY CHANGERS
CAPITAL ADEQUACY
MODULE**



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MODULE	CA: Capital Adequacy
CHAPTER	CA-A: Introduction

CA-A.1 Purpose

Executive Summary

- CA-A.1.1 This Module lays down requirements that apply to all licensees, with respect to the minimum level of capital they must maintain.
- CA-A.1.2 Principle 9 of the Principles of Business requires that licensees maintain adequate human, financial and other resources, sufficient to run their business in an orderly manner (see Section PB-1.1.9).

Legal Basis

CA-A.1.3

This Module contains the Central Bank of Bahrain's ("CBB") Directive (as amended from time to time) relating to the capital adequacy of licensees, and is issued under the powers available to the CBB under Article 38 of the CBB Law. The Directive in this Module is applicable to all licensees. Requirements regarding Money Changer Licensees are also included in the Regulation Organising Money Changing Business, issued in 1994 and included in this Module.

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



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CA-A.2 Module History

Evolution of Module

CA-A.2.1 This Module was first issued in October 2010 by the CBB. Any material changes that have subsequently been made to this Module are annotated with the calendar quarter date in which the change was made: Chapter UG-3 provides further details on Rulebook maintenance and version control.

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

Module Ref.	Change Date	Description of Changes
CA-A.1.3	01/2011	Clarified legal basis.
CA-1.2.2 and CA-1.2.3	01/2011	Clarified minimum capital requirements for licensees authorised prior to 1 st January 2011.
CA-1.4.1	01/2011	Added cross reference.
CA-1.4.1	07/2011	Clarified Rule pertaining to capital required for any additional branch.

Superseded Requirements

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

Document Ref.	Document Subject
Standard Conditions and Licensing Criteria: Money Changers	Capital Funds
BC/24/99	Accounts of Money Changers
BC/6/99	Bank Guarantee



MODULE	CA:	Capital Adequacy
CHAPTER	CA-B:	Scope of Application

CA-B.1 Scope of Application

CA-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.



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CHAPTER	CA-1:	Capital Adequacy Requirements

CA-1.1 General Requirements

Obligation to Maintain Adequate Capital

CA-1.1.1 In accordance with Principle of Business 9 (Section PB-1.1.9), licensees must maintain adequate human, financial and other resources sufficient to run their business in an orderly manner.

CA-1.1.2 Licensees are required to maintain, at all times, the minimum capital requirement specified in Section CA-1.2.

CA-1.1.3 In addition to the minimum capital requirements specified in Section CA-1.2 onwards, the CBB may, at its discretion, require licensees to hold additional capital, should this be necessary (in the CBB's view) to meet additional liquidity requirements. (refer to CA-1.5.2)

CA-1.1.4 No funds may be withdrawn by shareholders from the licensee without the necessary prior written approval of the CBB.

CA-1.1.5 In the event that a licensee fails to meet any of the requirements specified in this Module, it must, on becoming aware that it has breached these requirements, immediately notify the CBB in writing. Unless otherwise directed, the licensee must in addition submit to the CBB, within 30 calendar days of its notification, a plan demonstrating how it will achieve compliance with these requirements.

CA-1.1.6 Should a licensee fail to comply with the requirements of this Module, the CBB may impose enforcement measures, as described in Module EN.



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CA-1.2 Minimum Capital Requirements

Key Requirements

CA-1.2.1

Licensees must ensure that, at all times, their Minimum Capital meets the requirement stipulated in Rule CA-1.2.2 below.

CA-1.2.2

Minimum Capital Requirements are:

- (a) Paid-up Capital of not less than BD500,000;
- (b) Additional Paid-up Capital of BD30,000 for each branch; and
- (c) A Bank Guarantee of not less than BD50,000.

CA-1.2.3

For those licensees authorised prior to 1st January 2011, the minimum paid-up capital noted in Subparagraph CA-1.2.2 (a) must be not less than BD200,000. In addition, such licensees must comply with Subparagraphs CA-1.2.2 (b) and (c).



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CA-1.3 Guarantee Requirements

CA-1.3.1

Licensees are required to provide the CBB with a guarantee in respect of their liabilities. The guarantee must be:

- a) In favor of and callable by the CBB at the CBB's sole discretion;
- b) Unconditional and irrevocable;
- c) Issued by a retail bank licensed by the CBB;
- d) Valid at all times for a period of one year; and
- e) Renewed at least one week before its expiry and submitted to the CBB.

CA-1.3.2

If the guarantee is not renewed within the stipulated timeframe, the CBB may call the guarantee.



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CA-1.4 Capital Requirement for Branches

CA-1.4.1

In addition to the minimum paid-up capital required under Section CA-1.2, licensees must inject capital in the amount of BD30, 000 in respect of any additional branch (see CA-1.2.2 for additional details).

CA-1.4.2

Licensees must provide the CBB with evidence of the deposited amount of capital as part of the application for a branch outlined in Section 4.2 of the Module AU (Authorisation).



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CA-1.5 Additional Requirements

CA-1.5.1

A licensee's liabilities should not exceed threefold its capital and reserves.

CA-1.5.2

A licensee's liquid assets must be held in a form acceptable to the CBB, in a minimum amount of three months estimated expenditures including salaries, rent, general utilities and other operating costs.

CA-1.5.3

Liquid assets comprise of cash, cash equivalents, and placements or deposits maturing within 30 days.