



# **MONEY CHANGERS GENERAL REQUIREMENTS MODULE**



<b>MODULE:</b>	<b>GR (General Requirements)</b>
<b>Table of Contents</b>	

		<b>Date Last Changed</b>
<b>GR-A</b>	<b>Introduction</b>	
GR-A.1	Purpose	01/2011
GR-A.2	Module History	10/2017
<b>GR-B</b>	<b>Scope of Application</b>	
GR-B.1	Scope of Application	10/2010
<b>GR-1</b>	<b>Books and Records</b>	
GR-1.1	General Requirements	04/2013
GR-1.2	Transaction Records	07/2017
GR-1.3	Other Records	10/2010
<b>GR-2</b>	<b>Money in Transfer</b>	
GR-2.1	Money in Transfer	01/2011
<b>GR-3</b>	<b>Corporate and Trade Names</b>	
GR-3.1	Vetting of Names	10/2010
<b>GR-4</b>	<b>Dividends</b>	
GR-4.1	CBB Prior Approval	10/2017
<b>GR-5</b>	<b>Controllers</b>	
GR-5.1	Key Provisions	10/2010
GR-5.2	Definition of Controller	10/2010
GR-5.3	Suitability of Controllers	04/2012
GR-5.4	Approval Process	10/2010
<b>GR-6</b>	<b>Cessation of Business</b>	
GR-6.1	CBB Approval	10/2016
<b>GR-7</b>	<b>Insurance Coverage</b>	
GR-7.1	Insurance Coverage Requirement	10/2014
<b>GR-8</b>	<b>Display of License and Exchange Rates</b>	
GR-8.1	Display of License and Exchange Rates	10/2010
<b>GR-9</b>	<b>Security Measures</b>	
GR-9.1	Security Measures for Money Changers	07/2011
<b>GR-10</b>	<b>Measures to Detect Counterfeit Currency</b>	
GR-10.1	Measures to Detect Counterfeit Currency	10/2010
<b>GR-11</b>	<b>Credit Facilities Extended to Related Parties</b>	
GR-11.1	Credit Facilities Extended to Related Parties	01/2013



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-A:</b>	<b>Introduction</b>

## **GR-A.1 Purpose**

### *Executive Summary*

GR-A.1.1 The General Requirements Module presents a variety of different requirements that are not extensive enough to warrant their own stand-alone Module, but for the most part are generally applicable. These include requirements on books and records; on the use of corporate and trade names; on controllers and close links, on security measures, counterfeit currency detection measures and loans extended to related parties.

### *Legal Basis*

#### **GR-A.1.2**

This Module contains the Central Bank of Bahrain's ('CBB') Directive (as amended from time to time) regarding general 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 controllers (see Chapter GR-5) also included in Regulations, to be issued by the CBB. Requirements regarding Money Changer Licensees are also included in the Regulation Organising Money Changing Business, issued in 1994 and included in this Module.

GR-A.1.3 For an explanation of the CBB's rule-making powers and different regulatory instruments, see section UG-1.1.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-A:</b>	<b>Introduction</b>

## GR-A.2 Module History

### *Evolution of Module*

GR-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.

GR-A.2.2 A list of recent changes made to this Module is detailed in the table below:

Module Ref.	Change Date	Description of Changes
GR-A.1.2	01/2011	Clarified legal basis.
GR-2.1.1	01/2011	Clarified Rule regarding money in transfer.
GR-7.1.2	01/2011	Clarified Guidance.
GR-5.3.1A	04/2011	New Rule added for suitability of controllers.
GR-9.1	07/2011	Several amendments made to be in line with other Volumes of the CBB Rulebook.
GR-5.3.1	04/2012	Amended to be in line with other Volumes of the CBB Rulebook.
GR-6	04/2012	Clarified language on cessation of business to be in line with other Volumes of the CBB Rulebook.
GR-11.1 and GR-11.1.1A	01/2013	Clarified Rules and added Guidance dealing with credit facilities extended to related parties.
GR-1.1.3	04/2013	Corrected reference to 'transaction' records.
GR-7.1.4	10/2014	Added due date for Insurance Coverage Form
GR-6.1.11	10/2016	Added an additional requirement for cessation of business to be consistent with other Volumes of the CBB Rulebook.
GR-1.2.1	07/2017	Amended paragraph according to the Legislative Decree No. (28) of 2002.
GR-1.2.2	07/2017	Deleted paragraph.
GR-4.1.3	10/2017	Added additional requirements to submit when requesting no-objection letter for proposed dividends.

### *Superseded Requirements*

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

Circular Ref.	Subject
BS/07/2004	Record-keeping requirements.
BC/24/1999	Accounts of Money Changers.
BS/08/2004	Controllers of, and holdings and transfers of significant ownership or controlling interests in, Agency licensees
OD/080/2007	Directives on Measures to Detect Counterfeit Currency
FIS/C/001/2005	Security Measures for Money Changers
ODG/118/2004	Review of Security Measures
BC/6/99	Requirement of Bank Guarantee



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-B:</b>	<b>Scope of Application</b>

## **GR-B.1      Scope of Application**

### **GR-B.1.1**

The scope of application of Module GR (General Requirements) applies to all Money Changer Licensees, thereafter referred to in this Module as licensees.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-1:</b>	<b>Books and Records</b>

## **GR-1.1**

### **General Requirements**

#### **GR-1.1.1**

In accordance with Articles 59 and 60 of the CBB Law, all licensees must maintain books and records (whether in electronic or hard copy form) sufficient to produce financial statements and show a complete record of the business undertaken by a licensee.

#### GR-1.1.2

GR-1.1.1 includes accounts, books, files and other records (e.g. trial balance, general ledger, nostro/vostro statements, reconciliations, list of counterparties). It also includes records that substantiate the value of the assets and liabilities activities of the licensee.

#### GR-1.1.3

Bahrain Law currently requires other transaction records to be retained for at least 5 years (see Ministerial Order No. 23 of 2002, made pursuant to Amiri Decree Law No. 4 of 2001).

#### GR-1.1.4

Unless otherwise agreed to by the CBB in writing, records must be kept in either English or Arabic. Any records kept in languages other than English or Arabic must be accompanied by a certified English or Arabic translation. Records must be kept current. The records must be sufficient to allow an audit of the licensee's business or an on-site examination of the licensee by the CBB.

#### GR-1.1.5

Translations produced in compliance with Rule GR-1.1.4 may be undertaken in-house, by an employee or contractor of the licensee, provided they are certified by an appropriate officer of the licensee.

#### GR-1.1.6

**Records must be accessible at any time from within the Kingdom of Bahrain, or as otherwise agreed with the CBB in writing.**

#### GR-1.1.7

Where older records have been archived, the CBB may accept that records be accessible within a reasonably short time frame (e.g. within 5 business days), instead of immediately.

#### GR-1.1.8

**Paragraphs GR-1.1.1 to GR-1.1.6 apply to licensees, with respect to all their business activities.**



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR 1:</b>	<b>Books and Records</b>

## **GR-1.2      Transaction Records**

### **GR-1.2.1**

Licensees must keep completed transaction records for as long as they are relevant for the purposes for which they were made (with a minimum period in all cases of five years from the date when the transaction was terminated). Records of terminated transactions must be kept whether in hard copy or electronic format as per the Legislative Decree No.(28) of 2002 with respect to Electronic Transactions “The Electronic Transaction Law” and its amendments.

GR-1.2.2      [This Paragraph has been deleted in July 2017].



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR 1:</b>	<b>Books and Records</b>

## **GR-1.3      Other Records**

### *Corporate Records*

#### **GR-1.3.1**

Licensees must maintain the following records in original form or in hard copy at their premises in Bahrain:

- (a) Internal policies, procedures and operating manuals;
- (b) Corporate records, including minutes of shareholders', Directors' and management meetings;
- (c) Correspondence with the CBB and records relevant to monitoring compliance with CBB requirements;
- (d) Reports prepared by the licensee's internal and external auditors; and
- (e) Employee training manuals and records.

### *Customer Records*

#### **GR-1.3.2**

Record-keeping requirements with respect to customer records, including customer identification and due diligence records, are contained in Module FC (Financial Crime).



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR 2:</b>	<b>Money in Transfer</b>

## **GR-2.1      Money in Transfer**

### **GR-2.1.1**

All remittances must be pre-funded. In instances where remittances are not pre-funded, they must be channelled through a designated customer account at a retail bank in the Kingdom of Bahrain. No claims by the licensee can be made against this account.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR 3:</b>	<b>Corporate and Trade Names</b>

## **GR-3.1      Vetting of Names**

### **GR-3.1.1**

**Licensees must seek prior approval from the CBB for their corporate name and any trade names.**

#### **GR-3.1.2**

In approving a corporate or trade name, the CBB seeks to ensure that it is sufficiently distinct as to reduce possible confusion with other unconnected businesses, particularly those operating in the financial services sector.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-4:</b>	<b>Dividends</b>

## **GR-4.1 CBB Prior Approval**

### **GR-4.1.1**

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 and prior to submitting a proposal for a distribution of profits to a shareholder vote.

### GR-4.1.2

The CBB will grant approval where it is satisfied that the level of dividend proposed is unlikely to leave the licensee vulnerable – for the foreseeable future – to breaching the CBB's financial resources requirements, taking into account (as appropriate) trends in the licensee's business volumes, expenses and performance.

### **GR-4.1.3**

To facilitate the prior approval required under Paragraph GR-4.1.1, licensees subject to Paragraph GR-4.1.1 must provide the CBB with:

- (a) The licensee's intended percentage and amount of proposed dividends for the coming year;
- (b) A letter of no objection from the licensee's external auditor on such profit distribution; and
- (c) A detailed analysis of the impact of the proposed dividend on the capital adequacy requirements outlined in Module CA (Capital Adequacy) and the liquidity position of the licensee.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-5:</b>	<b>Controllers</b>

## GR-5.1 Key Provisions

### GR-5.1.1

Licensees must obtain prior approval from the CBB for any of the following changes to their controllers (as defined in Section GR-5.2):

- (a) A new controller;
- (b) An existing controller increasing its holding from below 20% to above 20%;
- (c) An existing controller increasing its holding from below 50% to above 50%; and
- (d) An existing controller reducing its holding from above 50% to below 50%.

### GR-5.1.2

Articles 52 to 56 of the CBB Law require notification to the CBB of all controllers of licensees and of listed companies; it further gives the CBB the right to refuse approval of controllers if deemed damaging to the interests of the market, customers, or in contravention of the criteria set by the CBB.

### GR-5.1.3

Requests for approval under Paragraph GR-5.1.1 must be made by submitting a duly completed Form 2 (Application for Authorisation of Controller) to the CBB. Notification must be made by the controller or intended controller, and by the licensee where it is aware of the change.

### GR-5.1.4

If, as a result of circumstances outside the licensee's knowledge and/or control, one of the changes 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.

### GR-5.1.5

For approval under Rule GR-5.1.1 to be granted, the applicant must satisfy the CBB that the proposed change in controller poses no undue risks to the licensee or its customers, and is not damaging to the interests of the market, as defined in the suitability criteria for controllers, contained in Section GR-5.3.

### GR-5.1.6

An approval of controller is valid for the period specified in the approval letter issued by the CBB. The CBB may impose any restrictions that it considers necessary to be observed when granting its approval.

### GR-5.1.7

The approval process is specified in Section GR-5.4.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-5:</b>	<b>Controllers</b>

## **GR-5.2      Definition of Controller**

### **GR-5.2.1**

A controller of a licensee is a natural or legal person who, either alone or with his associates:

- (a) Holds 10% or more of the shares in the licensee ('L'), or is able to exercise (or control the exercise of) more than 10% of the voting power in L;
- (b) Holds 10% or more of the shares in a parent undertaking ('P') of L, or is able to exercise (or control the exercise of) more than 10% of the voting power in P; or
- (c) Is able to exercise significant influence over the management of L or P.

### **GR-5.2.2**

For the purposes of Paragraph GR-5.2.1, 'associate' includes:

- (a) In the case of natural persons, a member of the controller's family;
- (b) An undertaking of which a controller is a Director;
- (c) A person who is an employee or partner of the controller; or
- (d) If the controller is a corporate entity, a Director of the controller, a subsidiary of the controller, or a Director of any subsidiary undertaking of the controller.

### **GR-5.2.3**

Associate also includes any other person or undertaking with which the controller has entered into an agreement or arrangement as to the acquisition, holding or disposal of shares or other interests in the licensee, or under which they undertake to act together in exercising their voting power in relation to the licensee.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-5:</b>	<b>Controllers</b>

## **GR-5.3      Suitability of Controllers**

### **GR-5.3.1**

All new controllers or prospective controllers (as defined in Section GR-5.2) of a Bahraini specialised licensee must obtain the approval of the CBB. Any increases to existing controllers' holdings or voting control (as outlined under Paragraph GR-5.1.1) must also be approved by the CBB and are subject to the conditions outlined in this Section. Such changes in existing controllers (as defined in the Section GR-5.2) or new/prospective controllers of a licensee must satisfy the CBB of their suitability and appropriateness according to the criteria outlined in Paragraphs GR-5.3.2 to GR-5.3.5. The CBB will issue an approval notice or notice of refusal of a controller according to the approval process outlined in Section GR-5.4 and Paragraph GR-5.1.6.

### **GR-5.3.1A**

For those licensees authorised after 1<sup>st</sup> January 2011, at least one controller must be a regulated financial institution owning or controlling 20% or more of the voting capital.

#### **GR-5.3.2**

In assessing the suitability of controllers who are natural persons, the CBB has regard to their professional and personal conduct, including, but not limited to, the following:

- (a) The propriety of a person's conduct, whether or not such conduct resulted in conviction for a criminal offence, the contravention of a law or regulation, or the institution of legal or disciplinary proceedings;
- (b) A conviction or finding of guilt in respect of any offence, other than a minor traffic offence, by any court or competent jurisdiction;
- (c) Any adverse finding in a civil action by any court or competent jurisdiction, relating to fraud, misfeasance or other misconduct in connection with the formation or management of a corporation or partnership;
- (d) Whether the person has been the subject of any disciplinary proceeding by any government authority, regulatory agency or professional body or association;
- (e) The contravention of any financial services legislation or regulation;
- (f) Whether the person has ever been refused a license, authorisation, registration or other authority;
- (g) Dismissal or a request to resign from any office or employment;
- (h) Disqualification by a court, regulator or other competent body, as a Director or as a manager of a corporation;
- (i) Whether the person has been a Director, partner or manager of a corporation or partnership which has gone into liquidation or administration or where one or more partners or managers have been declared bankrupt whilst the person was connected with that partnership or corporation;
- (j) The extent to which the person, has been truthful and open with regulators;
- (k) Whether the person has ever been adjudged bankrupt, entered into any arrangement with creditors in relation to the inability to pay due debts, or failed to satisfy a judgement debt under a court order or has defaulted on any debts;



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-5:</b>	<b>Controllers</b>

## **GR-5.3      Suitability of Controllers (continued)**

GR-5.3.2

(continued)

- (l) The financial resources of the person and the likely stability of their shareholding, and their track record as a controller or significant investor in financial institutions;
- (m) Existing Directorships or ownership of more than 20% of the capital or voting rights of any financial institution in the Kingdom of Bahrain or elsewhere, and the potential for conflicts of interest that such Directorships or ownership may imply;
- (n) The legitimate interests of customers, creditors and shareholders (including minority shareholders) of the licensee;
- (o) Whether the approval of a controller is or could be detrimental to Bahrain's financial sector; and
- (p) Whether the person is able to deal with existing shareholders and the Board in a constructive and co-operative manner.

**GR-5.3.3**

Natural persons who intend to take a stake of 20% or more in a licensee are subject to enhanced scrutiny. The level of scrutiny and the expected compliance with the above standards become more onerous as the level of proposed ownership increases.

**GR-5.3.4**

Legal persons who intend to take a stake of 20% or more in a licensee are subject to enhanced scrutiny, given the CBB's position as home supervisor of such licensees. The level of scrutiny and of expected compliance with the above standards becomes more onerous as the level of proposed ownership increases. Regulated legal persons will normally only be approved to take majority control where – in addition to the above conditions – the resulting group would be subject to effective consolidated supervision in accordance with relevant international standards; and the home supervisor of the parent entity has agreed to the proposed acquisition, as well as to the sharing of relevant prudential information for supervisory purposes (expressed, if necessary, through the signing of a Memorandum of Understanding between the CBB and the home supervisor, setting out their respective supervisory responsibilities).

GR-5.3.5

In assessing the suitability of controllers who are legal persons, CBB has regard to their financial standing, judicial and regulatory record, and standards of business practice and reputation, including, but not limited to, the following:

- (a) The financial strength of the controller, its parent(s) and other members of its group, its implications for the licensee and the likely stability of the controller's shareholding;



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-5:</b>	<b>Controllers</b>

## **GR-5.3      Suitability of Controllers (continued)**

GR-5.3.5 (continued)

- (b) Whether the controller or members of its group has ever entered into any arrangement with creditors in relation to the inability to pay due debts;
- (c) The controller's jurisdiction of incorporation, location of Head Office, group structure, and the implications for the licensee as regards effective supervision of the licensee and potential conflicts of interest;
- (d) The controller's (and other group members') propriety and general standards of business conduct, including the contravention of any laws or regulations, or the institution of disciplinary proceedings by a government authority, regulatory agency or professional body;
- (e) Any adverse finding in a civil action by any court or competent jurisdiction, relating to fraud, misfeasance or other misconduct;
- (f) Any criminal actions instigated against the controller or other members of its group, whether or not this resulted in an adverse finding;
- (g) The extent to which the controller or other members of its group have been truthful and open with regulators and supervisors;
- (h) Whether the person has ever been refused a license, authorisation, registration or other authority;
- (i) The person's track record as a controller or investor in financial institutions;
- (j) The legitimate interests of customers, creditors and shareholders of the licensee;
- (k) Whether their approval as a controller is or could be detrimental to Bahrain's financial sector; and
- (l) Whether the person is able to deal with existing shareholders and the Board in a constructive manner.

GR-5.3.6 The CBB may contact references and supervisory bodies in connection with any information provided to support an application for controller. The CBB may also ask for further information, in addition to that provided in the Form 2, if required to satisfy itself as to the suitability of the applicant.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-5:</b>	<b>Controllers</b>

## **GR-5.4 Approval Process**

### **GR-5.4.1**

Within 3 months of receipt of an approval request under Paragraph GR-5.1.1, the CBB will issue a written notice of approval (or of refusal, if it is not satisfied that the person concerned is suitable to become a controller of the licensee). The notice of refusal will specify the reasons for the objection and specify the applicant's right of appeal. Where an approval notice is given, it will specify the period for which it is valid and any conditions that may be applied.

#### GR-5.4.2

Article 53 allows the CBB up to 3 months in which to respond to an application, although the CBB normally aims to respond within 30 calendar days. Notices of refusal have to be approved by an Executive Director of the CBB. The applicant has 30 calendar days from the date of a notice in which to appeal a decision to refuse the application or any conditions imposed as a condition of approval. The CBB then has 30 calendar days from the date of the appeal in which to consider any mitigating evidence submitted and make a final determination. See Module EN (Enforcement).

#### GR-5.4.3

Where a person has become a controller by virtue of their shareholding in contravention of Paragraph GR-5.1.1, or a notice of refusal has been served on them under Paragraph GR-5.4.1 and the period of appeal has expired, the CBB may, by notice in writing served on the person concerned, instruct the person concerned to transfer such shares, or refrain from exercising voting rights in respect of such shares.

#### GR-5.4.4

If the person concerned fails to take the action specified under Paragraph GR-5.4.3, then the CBB may seek a court order to take appropriate measures: these may include forcing the person to sell their shares.

#### GR-5.4.5

The powers available to the CBB that are described in Paragraphs GR-5.4.3 and GR-5.4.4 are specified in Article 56 of the CBB Law.

#### GR-5.4.6

In addition to the above requirements, licensees are encouraged to notify the CBB as soon as they become aware of events that are likely to lead to major changes in their controllers. Any supervisory implications of such changes can then be discussed prior to the filing of a formal approval request.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-6:</b>	<b>Cessation of Business</b>

## **GR-6.1 CBB Approval**

### **GR-6.1.1**

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

### **GR-6.1.2**

Licensees seeking to obtain the CBB's permission to cease business must apply to the CBB in writing, in the form of a formal request together with supporting documents. Unless otherwise directed by the CBB, the following requirements must be provided in support of the request:

- (a) Full details of the business to be terminated;
- (b) The rationale for the cessation;
- (c) How the licensee proposes to cease business;
- (d) Notice of an Extraordinary Meeting setting out the agenda to discuss and approve the cessation, and inviting the CBB for such meeting;
- (e) Evidence that the proposed cessation has been duly authorised by the licensee (such as a certified copy of a Board resolution approving the cessation);
- (f) Formal request to the CBB for the appointment of a liquidator acceptable to the CBB;
- (g) A cut-off date by which the licensee will stop its operations;
- (h) If the licensee wishes to cease its whole business, confirmation that the licensee will not enter into new business with effect from the cut-off date;
- (i) Once the CBB has given its approval to an application to cease business, the licensee must publish a notice of its intention to cease business in two local daily newspapers (one in Arabic, the other in English). Notices must also be displayed in the premises (including any branch offices) of the licensee concerned. These notices must be given not less than 30 calendar days before the cessation is to take effect, and must include such information as the CBB may specify;
- (j) The audited accounts of the licensee as of the last date on which it stopped operations. The commencement of such accounts should be the beginning of the financial year of the licensee; and
- (m) The final liquidator's report of the licensee.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-6:</b>	<b>Cessation of Business</b>

## **GR-6.1 CBB Approval (continued)**

GR-6.1.3 Licensees intending to apply to cease business are advised to contact the CBB at the earliest possible opportunity, prior to submitting a formal application, in order that the CBB may determine the nature and level of documentation to be provided and the need for an auditor or other expert opinion to be provided to support the application. The documentation specified in Paragraph GR-6.1.2 may be varied by the CBB, depending on the nature of the proposed cessation, such as the materiality of the business concerned and its impact on customers.

GR-6.1.4 Approval to cease business will generally be given where adequate arrangements have been made to offer alternative arrangements to any affected customers. The CBB's approval may be given subject to any conditions deemed appropriate by the CBB. In all cases where additional requirements are imposed, the CBB shall state the reasons for doing so.

### **GR-6.1.5**

The notice referred to in Subparagraph GR-6.1.2 (i) must include a statement that written representations concerning the liquidation may be submitted to the CBB before a specified day, which shall not be later than thirty calendar days after the day of the first publication of the notice. The CBB will not decide on the application until after considering any representations made to the CBB before the specified day.

### **GR-6.1.6**

Upon satisfactorily meeting the requirements set out in GR-6.1.2, the licensee must surrender the original license certificate issued by the Licensing & Policy Directorate at the time of establishment, and submit confirmation of the cancellation of its Commercial Registration from the Ministry of Industry and Commerce.

### GR-6.1.7

Where the CBB has given its approval to cancel or amend a license, then it will also publish its decision in the Official Gazette, as well as in two local daily newspapers (one in Arabic, the other in English), once this decision has been implemented.

### **GR-6.1.7A**

The publication cost of the notices referred to in Paragraph GR-6.1.7 is to be met by the licensee concerned.

### **GR-6.1.8**

The licensee must continue to comply with all applicable CBB requirements until such time as it is formally notified by the CBB that its obligations have been discharged.

### **GR-6.1.9**

A licensee in liquidation must continue to meet its contractual and regulatory obligations to customers and creditors.

### GR-6.1.9A

If no objections to the liquidation are upheld by the CBB, the CBB may then issue a written notice of approval for the surrender of the license.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-6:</b>	<b>Cessation of Business</b>

## **GR-6.1 CBB Approval (continued)**

### **GR-6.1.10**

If a licensee applies to the CBB for voluntary surrender of its authorisation, it must ensure that suitable arrangements are in place for insurance coverage, to continue in respect of any unreported claims arising from past transactions, in accordance with Rule GR-7.1.7.

### **GR-6.1.11**

Upon satisfactorily meeting the requirements set out in GR-6.1.2, the licensees must surrender the original license certificate issued by the Licensing & Policy Directorate at the time of establishment, and submit confirmation of the cancellation of its commercial registration from the Ministry of Industry, Commerce and Tourism.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-7:</b>	<b>Insurance Coverage</b>

## **GR-7.1 Insurance Coverage Requirements**

### **GR-7.1.1**

Licensees are required to maintain the following insurance coverage at all times:

- (a) Money in transit insurance;
- (b) Fire, theft and other perils; and
- (c) Fidelity.

### GR-7.1.2

A licensee is encouraged to assess its insurance needs, through professional advice, to ensure its adequacy to the level of business undertaken.

### GR-7.1.3

The insurance coverage must be obtained from an insurance firm acceptable to the CBB and licensed in the Kingdom of Bahrain.

### GR-7.1.4

Licensees must submit an Insurance Coverage Return (Form ICR) on an annual basis, within 3 months of the end of the financial year. Additionally, they must provide, upon request, evidence to the CBB of the coverage in force.

### GR-7.1.5

In accordance with Paragraph EN-B.3.1, licensees may not enter into or make a claim under a contract of insurance that is intended to, or has the effect of, indemnifying them from the financial penalties provided for in Module EN.

### GR-7.1.6

The requirement to maintain insurance coverage will normally be met by the licensee concerned obtaining an insurance policy from an insurance firm. The CBB may also accept an insurance policy issued at group level, e.g. issued with respect to the parent of the licensee, provided the terms of the policy explicitly provide coverage with respect to the licensee.

### GR-7.1.7

Unless otherwise agreed in writing with the CBB, the policy must contain a clause that it may not be cancelled or lapsed without the prior approval of the CBB. The policy must also contain a provision for an automatic extended reporting period in the event that the policy is cancelled or lapsed, such that claims relating to the period during which the policy was in force may subsequently still be reported.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-7:</b>	<b>Insurance Coverage</b>

## **GR-7.1      Insurance Coverage Requirements (continued)**

GR-7.1.8      As provided for in Module ES, insurance coverage requirements must be met by licensees which were licensed prior to the introduction of Volume 5 (Specialised Licensees) in October 2010, by June 2011. Licensees licensed after October 2010 are required to comply with the CBB's professional indemnity coverage requirements, from the point they are given a license.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-8:</b>	<b>Display of License and Exchange Rates</b>

## **GR-8.1      Display of License and Exchange Rates**

### **GR-8.1.1**

Licensees must display the license granted to them by the CBB, and declare the exchange rates applied by them in a prominent position in their premises, including all of their branches.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-9:</b>	<b>Security Measures</b>

## **GR-9.1 Security Measures for Money Changers**

### **GR-9.1.1**

Licensees must apply the following security measures as a minimum:

### **GR-9.1.2**

#### **External Measures**

- (a) All offices must be located in heavy customer traffic areas, e.g. souqs. Not all malls may be considered heavy traffic areas. No branches should operate in isolated areas.
- (b) Main entrance doors must be protected by a grill type steel rolling shutter during off hours.
- (c) Branch alarm systems should have the following features:
  - (1) PIR Motion detectors;
  - (2) External audible siren or visible alarm. The choice of whether to use an audible alarm is left to the licensees concerned; and
  - (3) The intrusion detection system must be linked to the licensee's (i.e. head office) monitoring unit.

### **GR-9.1.3**

#### **Internal Measures**

- (a) Teller counters must be fully screened off from customers by glass screens. Cash should not be directly exchanged through screens. Special purpose trays (i.e. half-rounded trays) should be fitted for the exchange of cash;
- (b) Access to teller areas must be restricted to authorised staff only;
- (c) Front doors to teller areas must be eliminated as much as possible. When used, they must be full length, solid, secure and kept locked at all times; and
- (d) Customers dealing with Branch Managers should not enter or pass through teller areas to get to the Branch Manager's office.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-9:</b>	<b>Security Measures</b>

## **GR-9.1 Security Measures for Money Changers (Continued)**

### *Teller Area*

GR-9.1.4 Panic alarm systems for staff handling cash may be installed. The choice between silent or audible panic alarms is left to individual licensees. Kick bars and/or hold up buttons may be spread throughout the teller and customer service areas and the branch manager's office.

#### **GR-9.1.5**

### **Cash Safety**

- (a) Cash must be kept in safes up to international standards and preferably secured to a solid floor;
- (b) All property in vaults and safes must be under the joint custody of two people;
- (c) Safes should be located out of the sight of customers wherever possible; and
- (d) Insurance coverage must be maintained in accordance with Section GR-7.1.

#### GR-9.1.5A

All cash movements between branches, or to and from banks should be performed by a special purpose vehicle.

#### **GR-9.1.6**

### **CCTV Network Systems**

- (a) All branches must have CCTV cameras in place. The following locations are recommended:
  - (1) Customer areas (hall, reception etc);
  - (2) Teller areas (cameras located at the rear of tellers); and
  - (3) Vault entrance/area; and
- (b) Notices of CCTV cameras in operation must be put up for the attention of the public. CCTV records must be maintained for a minimum of 30 days. The CCTV system must be operational 24 hours per day.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-9:</b>	<b>Security Measures</b>

## **GR-9.1 Security Measures for Money Changers (Continued)**

### **GR-9.1.7**

#### **Formal Security Training**

- (a) Licensees must establish the position of security manager. For licensees with three or more branches, this position must be a formally identified position. For licensees with one or two branches, the responsibilities of this position may be added to the duties of a member of management. This person will be responsible for ensuring that all staff are given annual, comprehensive security training. Training should form part of the induction program for new staff. Training should be given to all staff when new security measures are introduced; and
- (b) Licensees should produce a security manual or procedures for staff, especially those dealing directly with customers.

### **GR-9.1.8**

#### **Other Issues**

- (a) Opening and closing procedures must be put in place for those responsible for opening and closing the premises; and
- (b) Rotation of tellers must be implemented on a regular basis.

### **GR-9.1.9**

The security manager must maintain records on documented security related complaints by customers and take corrective action or make recommendations for action on a timely basis. Actions and recommendations must also be documented.

### **GR-9.1.10**

Licensees must consider safety and security issues when selecting premises for new branches. Key security issues include prominence of location (i.e. is the branch on a main street or a back street?), accessibility for emergency services, and assessment of surrounding premises (in terms of their safety or vulnerability), and the number of entrances to the branch. All licensees are required to hold an insurance blanket bond (which includes theft of cash in its cover).



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-10:</b>	<b>Measures to Detect Counterfeit Currency</b>

## **GR-10.1 Measures to Detect Counterfeit Currency**

**GR-10.1.1**

Licensees are required to apply the measures in this Section to detect counterfeit currency:

**GR-10.1.2**

Licensees must have in place counterfeit detection machines that comply with the following requirements:

- (a) The detection machines must be used to verify the validity of all Bahraini currency submitted to licensees (including any branch);
- (b) Licensees should have a suitable number of machines at each outlet to handle the volume of banknotes they ordinarily receive. Every outlet must have at least one such detection machine.
- (c) A teller (or any other person who accepts cash from the public) must check the validity of all the banknotes he receives on a detection machine. Licensees should ensure that tellers have been given adequate training in receiving banknotes and are familiar with the security features of Bahraini notes; and
- (d) Licensees should endeavour to have detection machines that employ state-of-the-art detection technology. What constitutes 'state-of-the-art detection technology' shall be left for the determination of licensees, but the management of such licensees must apply their judgement as to the suitability of the technology they are employing and be prepared to justify their choices to the CBB upon request.

### **Reporting**

**GR-10.1.3**

When a licensee discovers a counterfeit note (or what appears to be an item intended to be passed-off as a lawful banknote of the Kingdom) it should remit the same to the Currency Issue Directorate at the CBB, together with a report as required in Rules BR-1.5.14 and BR-1.5.15.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-10:</b>	<b>Measures to Detect Counterfeit Currency</b>

## **GR-10.1 Measures to Detect Counterfeit Currency (Continued)**

### **GR-10.1.4**

When a licensee discovers a counterfeit note of a foreign currency, it should remit the same to Director of the Compliance Directorate at the CBB and copied to the Director of the Financial Intelligence Unit at the Ministry of Interior, together with a report as required in Rules BR-1.5.14 and BR-1.5.15.

### **GR-10.1.5**

Licensees are reminded that inadvertent receipt of counterfeit currency remains their responsibility and their liability alone. The CBB has no obligation to give value for any counterfeit currency.



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
<b>CHAPTER</b>	<b>GR-11:</b>	<b>Credit Facilities Extended to Related Parties</b>

## **GR-11.1 Credit Facilities Extended to Related Parties**

### **GR-11.1.1**

**Licensees** are prohibited from extending credit facilities to proprietors, partners and shareholders of the business.

#### GR-11.1.1A

Credit facilities include but are not limited to loans and shari'a compliant financing facilities.

#### GR-11.1.2

**Credit facilities** may be extended to employees of the licensee, other than proprietors, partners and shareholders of the business.

#### GR-11.1.3

**Licensees** must obtain the CBB's prior written approval for any credit facility in excess of BD15,000, extended to the employees of the business.

#### GR-11.1.4

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