



# **MONEY CHANGERS TRAINING AND COMPETENCY MODULE**



<b>MODULE:</b>	<b>TC (Training and Competency)</b>	
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<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
<b>CHAPTER</b>	<b>TC-A:</b>	<b>Introduction</b>

## TC-A.1 Purpose

### *Executive Summary*

TC-A.1.1 This Module presents requirements that have to be met by licensees with respect to training and competency of individuals undertaking controlled functions (i.e. approved persons).

TC-A.1.2 Module TC provides Rules and Guidance to licensees to ensure satisfactory levels of competence, in terms of an individual's knowledge, skills, experience, and professional qualifications. Licensees are required to demonstrate that individuals undertaking controlled functions are sufficiently competent, and are able to undertake their respective roles and responsibilities.

TC-A.1.3 The Rules build upon Principles 3 and 10 of the Principles of Business (see Module PB (Principles of Business)). Principle 3 (Due Skill, Care and Diligence) requires licensees to observe high standards of integrity and fair dealing, and to be honest and straightforward in its dealings with customers. Principle 9 (Adequate Resources) requires licensees to maintain adequate human, financial and other resources sufficient to run its business in an orderly manner.

TC-A.1.4 Condition 4 of CBB's Licensing Conditions (Chapter AU-2.4) and Condition 1 of the Approved Persons regime (Chapter AU-3.1) impose further requirements. To satisfy Condition 4 of the CBB's Licensing Conditions, a licensees' staff, taken together, must collectively provide a sufficient range of skills and experience to manage the affairs of the licensee in a sound and prudent manner (AU-2.4). This condition specifies that licensees must ensure their employees meet any training and competency requirements specified by the CBB. Condition 1 of the Approved Persons Conditions (AU-3.1) sets forth the 'fit and proper' requirements in relation to competence, experience and expertise required by approved persons.

### *Legal Basis*

#### TC-A.1.5

This Module contains the CBB's Directive relating to Training and Competency and is issued under the powers available to the CBB under Articles 38 and 65 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law'). The Directive in this Module is applicable to all licensees (including their approved persons). Requirements regarding Money Changer Licensees are also included in the Regulation Organising Money Changing Business, issued in 1994 and included in this Module.

TC-A.1.6 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
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## **TC-A.2      Module History**

### ***Evolution of the Module***

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

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

<b>Module Ref.</b>	<b>Change Date</b>	<b>Description of Changes</b>

### ***Superseded Requirements***

TC-A.2.3      This Module does not replace any regulations or circulars in force prior to October 2010.



<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
<b>CHAPTER</b>	<b>TC-B:</b>	<b>Scope of Application</b>

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

### **TC-B.1.1**

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

### TC-B.1.2

Persons authorised by the CBB as approved persons prior to the issuance of Module TC need not reapply for authorisation.

### TC-B.1.3

The requirements of this Module apply to approved persons holding controlled functions:

- (a) Who are employed or appointed by the licensees in connection with the licensees' regulated activities, whether under a contract of service or for services or otherwise; or
- (b) Whose services, under an arrangement between the licensee and a third party, are placed at the disposal and under the control of the licensee.

### TC-B.1.4

Licensees must satisfy the CBB that individuals performing a controlled function for it or on its behalf are suitable and competent to carry out that controlled function.

### TC-B.1.5

In implementing this Module, licensees must ensure that:

- (a) Individuals recruited by the licensees to perform a controlled function hold suitable qualifications and experience appropriate to the nature of the business;
- (b) Individuals performing a controlled function remain competent for the work they do; and
- (c) Individuals performing a controlled function are appropriately supervised.



<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
<b>CHAPTER</b>	<b>TC-1:</b>	<b>Recruitment and Assessing Competence</b>

## **TC-1.1      Recruitment and Appointments**

### **TC-1.1.1**

If a licensee recruits an individual to undertake a controlled function, it must satisfy itself, where appropriate, of such individual's relevant qualifications and experience.

#### TC-1.1.2

A licensee proposing to recruit an individual has to satisfy itself, of his/her relevant qualifications and experience. The licensee should:

- Take into account the knowledge and skills required for the role, in addition to the nature and the level of complexity of the controlled function; and
- Take reasonable steps to obtain sufficient information about the individual's background, experience, training and qualifications.

### **TC-1.1.3**

Individuals occupying the following controlled functions (refer to Paragraphs AU-1.2.5 to AU-1.2.10) at a licensee must be qualified and suitably experienced for their specific roles and responsibilities:

- Director;
- Chief Executive or General Manager;
- Head of function;
- Compliance officer; and
- Money Laundering Reporting Officer ('MLRO').

### **TC-1.1.4**

A licensee must take reasonable steps to ensure that individuals holding controlled functions are sufficiently knowledgeable about their respective fields of work to be able to guide and supervise operations that fall under their responsibilities. Competence must be assessed on the basis of experience and relevant qualifications described in Appendix TC-1 as a minimum. However, the CBB reserves the right to impose a higher level of qualifications as it deems necessary.



<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
<b>CHAPTER</b>	<b>TC-1:</b>	<b>Recruitment and Assessing Competence</b>

## **TC-1.1      Recruitment and Appointments (continued)**

### *Director*

**TC-1.1.5**

As individuals, directors of a licensee must hold professional qualifications and/or have relevant experience outlined in Appendix TC-1 as a minimum.

**TC-1.1.6**

The role of the director is to be accountable and responsible for the management and performance of the licensee, and is outlined in more details in Section HC-1.1.

**TC-1.1.7**

When taken as a whole, the board of directors of a licensee must be able to demonstrate that it has the necessary expertise, as outlined in Paragraphs HC-1.2.4 and HC-1.2.5.

### *Chief Executive or General Manager*

**TC-1.1.8**

Individuals holding the position of chief executive officer or equivalent at a licensee must hold relevant qualifications and relevant experience as outlined in Appendix TC-1 as a minimum.

**TC-1.1.9**

The chief executive officer or general manager (as appropriate) is responsible for the executive management and performance of the licensee within the framework or delegated authorities set by the Board.

### *Head of Function*

**TC-1.1.10**

Individuals holding the position of head of function at a licensee must hold relevant professional qualifications and experience as outlined in Appendix TC-1 as a minimum.

**TC-1.1.11**

Heads of functions are responsible for tracking specific functional performance goals in addition to identifying, managing, and reporting critical organisational issues upstream.



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<b>CHAPTER</b>	<b>TC-1:</b>	<b>Recruitment and Assessing Competence</b>

## **TC-1.1      Recruitment and Appointments (continued)**

### *Compliance Officer*

**TC-1.1.12**

Individuals holding the position of compliance officer at a licensee must hold relevant experience and qualifications as outlined in Appendix TC-1 as a minimum.

**TC-1.1.13**

In accordance with Paragraph HC-2.4.3, an employee of appropriate standing must be designated by licensees for the position of compliance officer. The duties of the compliance officer include:

- (a) Having responsibility for oversight of the licensee's compliance with the requirements of the CBB; and
- (b) Reporting to the licensee's Board in respect of that responsibility.

### *Money Laundering Reporting Officer (MLRO)*

**TC-1.1.14**

Individuals holding the position of MLRO at a licensee, whose attributes and responsibilities are described more fully in Paragraphs FC-4.1.7 and FC-4.2.1, must hold relevant qualifications as outlined in Appendix TC-1 as a minimum.



<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
<b>CHAPTER</b>	<b>TC-1:</b>	<b>Recruitment and Assessing Competence</b>

## **TC-1.2 Assessing Competence**

### **TC-1.2.1**

Licensees must not allow an individual to undertake or supervise controlled functions unless that individual has been assessed by the licensee as competent in accordance with this Section.

#### TC-1.2.2

In the case of new personnel, the licensees should ensure that they work under proper supervision. Where a person is working towards attaining a level of competence, they should be supervised by a competent person until they can demonstrate the appropriate level of competence. It is the licensees's responsibility to ensure that such arrangements are in place and working successfully.

#### TC-1.2.3

In determining an individual's competence, licensees may assess if the person is fit and proper in accordance with Chapter AU-3.

### **TC-1.2.4**

Licensees will assess individuals as competent when they have demonstrated the ability to apply the knowledge and skills required to perform a specific controlled function without supervision.

#### TC-1.2.5

The assessment of competence will be dependent on the nature and the level of complexity of the controlled function. Such assessment of competence of new personnel may take into account the fact that an individual has been previously assessed as competent in a similar controlled function with another licensee.

#### TC-1.2.6

If a licensee assesses an individual as competent in accordance with TC-1.2.4 to perform a specific controlled function it does not necessarily mean that the individual is competent to undertake other controlled functions.

#### TC-1.2.7

A firm should use methods of assessment that are appropriate to the controlled function and to the individual's role.



<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
<b>CHAPTER</b>	<b>TC-2:</b>	<b>Training and Maintaining Competence</b>

## **TC-2.1 Training and Supervision**

### **TC-2.1.1**

A licensee must annually determine the training needs of individuals undertaking controlled functions. It must develop a training plan to address these needs and ensure that training is planned, appropriately structured and evaluated.

### TC-2.1.2

The assessment and training plan described in Paragraph TC-2.1.1 should be aimed at ensuring that the relevant approved person maintains competence in the controlled function. Training does not necessarily just imply attendance of courses. An individual can develop skills and gain experience in a variety of ways. These could include on the job learning, individual study, and other methods. In almost every situation, and for most individuals, it is likely that competence will be developed most effectively by a mixture of training methods.

### **TC-2.1.3**

The training plan of licensees must include a programme for continuous professional development training (“CPD”) for their personnel.

### TC-2.1.4

Approved persons may choose to fulfil their CPD requirements by attending courses and seminars at local or foreign training institutions.

### **TC-2.1.5**

The annual training needs assessment required under Paragraph TC-2.1.1 must also consider quarterly updates, if any, to the CBB Volume 5 (Specialised Licensees) Rulebook, in areas relevant to each controlled function.

### **TC-2.1.6**

Individuals holding the controlled functions of compliance officer and MLRO at a licensee must undergo a minimum of 15 hours of CPD per annum.

### **TC-2.1.7**

A licensee should ensure that an approved person undertaking a controlled function undergoes appropriate review and assessment of performance.

### TC-2.1.8

The level of review and assessment should be proportionate to the level of competence demonstrated by the approved person. Review and assessment should take place on a regular basis and include coaching and assessing performance against the competencies necessary for the role.

### TC-2.1.9

Assessors of approved persons should have technical knowledge and relevant skills, e.g. coaching and assessment skills.



<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
<b>CHAPTER</b>	<b>TC-2:</b>	<b>Training and Maintaining Competence</b>

## **TC-2.2      Maintaining Competence**

**TC-2.2.1**      A licensee must make appropriate arrangements to ensure that approved persons maintain competence.

TC-2.2.2      A licensee should ensure that maintaining competence for an approved person takes into account:

- (a) Application of technical knowledge;
- (b) Application and development of skills; and
- (c) Any market changes and changes to products, legislation and regulation.

TC-2.2.3      A licensee may utilise the CPD schemes of relevant professional bodies to demonstrate compliance with TC-2.2.1. In-house training, seminars, conferences, further qualifications, product presentations, computer-based training and one-to-one tuition may also be considered to demonstrate compliance with TC-2.2.1.



<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
<b>CHAPTER</b>	<b>TC-3:</b>	<b>Record Keeping</b>

## **TC-3.1 Record Keeping**

### **TC-3.1.1**

A licensee must make and retain records of its recruitment procedures. Such procedures should be designed to adequately take into account proof of the candidates' knowledge and skills and their previous activities and training.

#### TC-3.1.2

The recruitment record keeping procedure should include, but is not limited to, the following:

- (a) Results of the initial screening;
- (b) Results of any employment tests;
- (c) Results and details of any interviews conducted;
- (d) Background and references checks; and
- (e) Details of any professional qualifications.

### **TC-3.1.3**

A licensee should make and retain updated records of:

- (a) The criteria applied in assessing the ongoing and continuing competence;
- (b) How and when the competence decision was arrived at;
- (c) The annual assessment of competence; and
- (d) Record of CPD hours undertaken by each approved person.

### **TC-3.1.4**

A licensee should make and retain records of:

- (a) The annual training plan for all controlled functions;
- (b) Materials used to conduct in-house training courses;
- (c) List of participants attending such in-house training courses; and
- (d) Results of evaluations conducted at the end of such training courses.

#### TC-3.1.5

Licensees should maintain appropriate training records for each individual. Licensees should note how the relevant training relates to and supports the individual's role. Training records may be reviewed during supervisory visits to assess the licensee's systems and to review how the licensee ensures that its staff are competent and remain competent for their roles.



<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
<b>CHAPTER</b>	<b>TC-4:</b>	<b>Transitional Provisions</b>

## **TC-4.1      Transitional Period**

### **TC-4.1.1**

The requirements of Module TC for licensees are effective 31<sup>st</sup> December 2010.

### **TC-4.1.2**

Where approved persons holding controlled functions are occupying positions within the licensee and do not meet the qualifications and core competencies outlined in Appendix TC-1 at the time of the issuance of Module TC, the licensee must ensure that such individuals will meet the requirements of Module TC by 31<sup>st</sup> December 2011 at the latest.



<b>MODULE</b>	<b>TC: Training and Competency</b>
<b>CHAPTER</b>	<b>Appendices: Appendix TC-1</b>

## **Qualifications and Core Competencies of Controlled Functions**

Role	Core Competencies	How can competence be demonstrated?
Director	Directors should have: (a) Experience to demonstrate sound business decision-making; and (b) A good understanding of the industry and its regulatory environment.	This person should be experienced in the industry. Competence could be demonstrated by: (a) Holding a relevant professional qualification; or (b) A minimum length of service (at least 5 years at director or senior management level) in the financial industry.
Chief Executive or General Manager	These roles require: (a) A clear understanding of the role and responsibilities associated with this position; (b) A good understanding of the licensee's business, the broader industry and its regulatory environment; and (c) The relevant experience and qualifications associated with any executive responsibilities.	This person should be experienced in the industry. Competence could be demonstrated by: (a) Holding a relevant professional qualification; or (b) A minimum length of service (at least 5 years at a relatively senior position) in the financial industry.



<b>MODULE</b>	<b>TC: Training and Competency</b>
<b>CHAPTER</b>	<b>Appendices: Appendix TC-1</b>

## **Qualifications and Core Competencies of Controlled Functions (continued)**

Head of Function	<p>This role requires:</p> <ul style="list-style-type: none"><li>(a) A clear understanding of the role and responsibilities associated with the relevant function;</li><li>(b) A good understanding of the <u>licensee</u>'s business, the broader industry and its regulatory environment; and</li><li>(c) The relevant experience and qualifications to fulfill their responsibilities.</li></ul>	<p>A senior manager responsible for a specialist function should demonstrate the competencies required for that role.</p> <ul style="list-style-type: none"><li>(a) The person must have area specific experience/qualifications as required for head of function. These include accounting qualifications for financial managers, Bachelors degree in banking or finance, MBA, etc. and/or</li><li>(b) The head of function should have at least 5 years of experience in the industry and will typically hold, or be working towards, a relevant professional qualification as appropriate to the controlled function.</li></ul>
Compliance Officer	<p>A Compliance Officer should:</p> <ul style="list-style-type: none"><li>(a) Have the ability and experience to take responsibility for implementing and maintaining compliance policies;</li><li>(b) Have the appropriate level of experience to demonstrate independence from other functions within the <u>licensee</u>; and</li><li>(c) Have a thorough understanding of the industry and the applicable regulatory framework.</li></ul> <p>The level of required competence varies based on the scope, magnitude and complexity of the <u>licensee</u>.</p>	<p>The person should have a minimum of 2 years of relevant experience in a compliance function of a financial institution.</p> <p>Additional relevant certifications may include:</p> <ul style="list-style-type: none"><li>(a) Diploma in International Compliance offered by the International Compliance Association; and/or</li><li>(b) Other relevant professional qualification.</li></ul>



<b>MODULE</b>	<b>TC:</b>	<b>Training and Competency</b>
<b>CHAPTER</b>	<b>Appendices:</b>	<b>Appendix TC-1</b>

## **Qualifications and Core Competencies of Controlled Functions (continued)**

Money Laundering Reporting Officer (MLRO)	<p>The MLRO should:</p> <ul style="list-style-type: none"><li>(a) Understand the business and how the Anti Money Laundering framework applies thereto; and</li><li>(b) Have the appropriate level of experience to demonstrate independence from staff of the licensee dealing directly with <u>customers</u>.</li></ul>	<p>An MLRO will typically hold a relevant professional qualification and / or a qualification related to the financial activities. These may include:</p> <ul style="list-style-type: none"><li>(a) Certified Anti-Money Laundering Specialist Examination (ACAMS);</li><li>(b) Other relevant MLRO programs; and/or</li><li>(c) Diploma in International Compliance offered by the International Compliance Association.</li></ul> <p>Additionally, he must have undergone training in anti money laundering, in a recognized institute. The initial training must be for a period of 35 hours or more.</p> <p>MLROs should have thorough knowledge of the financial institutions industry and be familiar with relevant international standards and applicable domestic regulatory requirements.</p>
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