



# **REPRESENTATIVE OFFICES GENERAL REQUIREMENTS MODULE**



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<b>CHAPTER</b>	<b>GR-A:</b>	<b>Introduction</b>

## GR-A.1 Purpose

GR-A.1.1 The General Requirements Module presents a variety of different requirements that do not warrant their own stand-alone Module, but for the most part are generally applicable to the representative offices. These include, amongst others, general requirements on books and records and on the use of corporate and trade names.

### *Legal Basis*

**GR-A.1.2** This Module contains the Central Bank of Bahrain ('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').



<b>MODULE</b>	<b>GR:</b>	<b>General Requirements</b>
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## GR-A.2 Module History

### *Evolution of Module*

GR-A.2.1 This Module was first issued in January 2011, as part of Volume 5 (Specialised Licensees). 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-5.1	01/2011	Added a Section on IIS Reporting Requirements.
GR-5.1.2	04/2011	Corrected cross reference.
GR-3.1	04/2012	GR-3.1.3 deleted as it repeats what is included in GR-6.2.1 and Paragraph GR-4.1.1 moved to new Paragraph GR-3.1.1A.
GR-4.1.1	04/2012	This Paragraph was moved to Paragraph GR-3.1.1A.
GR-5.1	04/2012	Minor corrections.
GR-6	04/2012	New Chapter added to include material transferred from common Chapters EN-2 and AA-5 and include other Rules and Guidance on information gathering by the CBB.
GR-3.1.5	01/2013	Clarified due date for the annual confirmation letter.
GR-6.5.14	07/2013	Amended numbering of referred appendix.
GR-5.1.1	04/2014	Added requirement that licensees access the IIS within 20 calendar days from the end of the related quarter and either confirm or update the information contained in the IIS.
GR-6	10/2014	Amendments made to be consistent with other Volumes of the CBB Rulebook.
GR-4.1.8	10/2016	Added a Rule in the Cessation of Business Section to be consistent with other Volumes of the CBB Rulebook.

### *Superseded Requirements*

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

Document reference	Provision	Document Subject
Standard Conditions and Licensing Criteria for a representative office license	Licensing requirements	Scope of license and licensing conditions.
Circular BC/3/2001	Notifications	Regular Notification of Management Personnel
BS/07/2003 dated 9 September 2003	Notifications	Notifications to BMA

GR-A.2.4 Further guidance on the implementation and transition to Volume 5 (Specialised Licensees) is given in Module ES (Executive Summary).



<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 Representative Office licensees

### *Scope of Application*

**GR-B.1.1** The requirements in Module GR (General Requirements) apply to Representative Offices licensed by the CBB.



MODULE	GR:	General Requirements
CHAPTER	GR-1:	Books and Records

## GR-1.1 General Requirements

### GR-1.1.1

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

- (a) A copy of all documents submitted to the CBB as part of the license application;
- (b) Corporate records, including Head Office Annual Report, License Certificate (granted by the CBB), Commercial Registration Certificate, Memorandum and Articles of Association;
- (c) Correspondence with the CBB and records relevant to monitoring compliance with CBB requirements;
- (d) Reports prepared by the Representative Office to its Head Office and vice versa; and
- (e) Any other documents deemed necessary by the CBB.

### GR-1.1.2

Unless otherwise agreed with the CBB in writing, records must be kept in either English or Arabic; or else accompanied by a certified English or Arabic translation. Records must be kept current.

### GR-1.1.3

Translations produced in compliance with Rule GR-1.1.2 may be undertaken in-house, by an employee or contractor of the licensee, providing they are certified by an appropriate officer of the licensee.

### GR-1.1.4

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

#### *Customer Records*

### GR-1.1.5

Record-keeping requirements with respect to customer records, including customer inquiries, identification and due diligence records, are contained in the Common Module FC (Financial Crime). These requirements address specific requirements under the Amiri Decree Law No. 4 of 2001, the standards promulgated by the Financial Action Task Force

### GR-1.1.6

Representative office licensees must maintain a record of all promotional/marketing materials issued by them to new or existing customers. They must also maintain a record of all their undertakings.



MODULE	GR:	General Requirements
CHAPTER	GR 2:	Corporate and Trade Names

## GR-2.1 Vetting of Names

**GR-2.1.1** Representative offices must seek prior written approval from the CBB for their corporate name or changes. The name of the foreign financial institution (Head Office) must only be used by the representative office in conjunction with the description “representative office”. This may include the office sign, letterheads, advertising material and business cards.

GR-2.1.2 Rule GR-2.1.1 refers to the requirements contained in Article 41 of the CBB Law.

GR-2.1.3 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.



MODULE	GR:	General Requirements
CHAPTER	GR-3.1:	General Requirements

## GR-3.1 General Requirements

**GR-3.1.1** Representative office licensees must comply with the CBB Law, Bahrain Commercial Companies Law, AML Law and other applicable laws in the Kingdom.

**GR-3.1.1A** Representative office licensees must obtain the CBB's prior approval for all major intended changes. These might include but not limited to change of office location and change of the representative manager.

### *Maintenance of Suitable Premises*

**GR-3.1.2** Representative office licensees must maintain suitable premises in the Kingdom of Bahrain.

**GR-3.1.3** [This Paragraph was deleted in April 2012].

### *Annual Reporting Requirements*

**GR-3.1.4** Representative office licensees must submit to the CBB the annual report of the Head Office within 6 months of their financial year end and any other documents and information requested by the CBB from time to time related to its undertakings.

**GR-3.1.5** Representative Office licensees must submit to the CBB on an annual basis, not later than 31<sup>st</sup> March, a confirmation letter that the representative office is in compliance with the permitted activities and meet all its expenditure commitments.

### *Other Notifications*

**GR-3.1.6** Representative office licensees must notify the CBB of any breaches of the CBB's requirements or any other applicable Laws.

**GR-3.1.7** The representative office licensee must notify the CBB of any change in the arrangements of the Head office's oversight of the representative office.

**GR-3.1.8** The representative office licensee must notify the CBB of any significant developments affecting its Head Office's financial soundness, ownership structure and/or reputation globally.





MODULE	GR:	General Requirements
CHAPTER	GR 4:	Cessation of Business

## GR-4.1 CBB Approval

### GR-4.1.1

[This Paragraph was moved to GR-3.1.1A].

### GR-4.1.2

As specified in Article 50 of the CBB Law, a representative office licensee wishing to cease its presence in the Kingdom of Bahrain, must obtain prior written approval from the CBB.

### GR-4.1.3

Representative office licensees seeking to obtain the CBB's permission to cease business must apply to the CBB in writing, in the form of a covering letter together with any supporting attachments. Unless otherwise directed by the CBB, the application must provide:

- (a) The rationale for the cessation; and
- (b) Evidence that the proposed cessation has been duly authorised by the licensee Head Office/Parent Company.

### GR-4.1.4

Licensees should ensure that all outstanding expenses are settled before cessation of business and should confirm it to the CBB.

### GR-4.1.5

When the CBB has given its approval to an application to cease business, the representative office 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. 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.

### GR-4.1.6

The CBB will normally require that the notices required under Rule GR-4.1.5 include a statement that written representations concerning the cessation of business may be submitted to the CBB.

### GR-4.1.7

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. The publication cost of these notices is to be met by the licensee concerned.

### GR-4.1.8

Upon satisfactorily meeting the requirements set out in GR-3.1, the representative office 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, Commerce and Tourism.



MODULE	GR:	General Requirements
CHAPTER	GR 5:	Reporting Requirements

## GR-5.1 IIS Reporting Requirements

### GR-5.1.1

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 that the information contained in the IIS is correct. Licensees must ensure that they access the IIS within 20 calendar days from the end of the related quarter and either confirm or update the information contained in the IIS.

GR-5.1.2 Licensees failing to comply with the requirements of Paragraph GR-5.1.1 or reporting inaccurate information may be subject to financial penalties or other enforcement actions as outlined in Module (EN) Enforcement.



MODULE	GR:	General Requirements
CHAPTER	GR 6:	Information Gathering by the CBB

## GR-6.1 Power to Request Information

### GR-6.1.1

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

### GR-6.1.1A

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.

### GR-6.1.1B

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*

### GR-6.1.2

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.



<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-6: Information Gathering by the CBB</b>

## GR-6.2 Access to Premises

**GR-6.2.1** In accordance with Article 114 of the CBB Law, all licensees must permit representatives of the CBB, or appointed experts, have access, with or without notice, to any of its business premises in relation to the discharge of the CBB's functions under the relevant law.

**GR-6.2.2** A licensee must take reasonable steps to ensure that its agents, providers under outsourcing arrangements permit such access to their business premises, to the CBB.

**GR-6.2.3** 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.

GR-6.2.4 The cooperation that licensees are expected to procure from such providers is similar to that expected of licensees themselves.



MODULE	GR:	General Requirements
CHAPTER	GR 6:	Information Gathering by the CBB

### GR-6.3 Accuracy of Information

#### GR-6.3.1

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.

#### GR-6.3.2

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.

#### GR-6.3.3

If the information in Paragraph GR-6.3.2 cannot be submitted with the notification (because it is not immediately available), it must instead be submitted as soon as possible afterwards.



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## GR-6.4 Methods of Information Gathering

GR-6.4.1 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 GR-6.5).
- (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 in the ordinary course of their business such as financial reports or on the happening of a particular event in relation to the licensee.

GR-6.4.2 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.

GR-6.4.3 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;



<b>MODULE</b>	<b>GR: General Requirements</b>
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## GR-6.4 Methods of Information Gathering (continued)

- GR-6.4.3
- (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.
- GR-6.4.4
- The CBB considers that a licensee should take reasonable steps to ensure that the following persons act in the manner set out in Paragraph GR-6.4.3:
- (a) Its employees; and
  - (b) Any other members of its group and their employees.
- GR-6.4.5
- 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.



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## GR-6.5 Role of the Appointed Expert

### *Introduction*

**GR-6.5.1** The content of this Chapter is applicable to all licensees and appointed experts.

GR-6.5.2 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.

GR-6.5.3 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.

GR-6.5.4 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.

**GR-6.5.5** Unless the CBB otherwise permits, appointed experts should not be the same firm appointed as external auditor of the licensee.

**GR-6.5.6** 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.

GR-6.5.7 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.

GR-6.5.8 Following the completion of the investigation, the CBB will normally provide feedback on the findings of the investigation to the licensee.





MODULE	GR:	General Requirements
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## GR-6.5 Role of the Appointed Expert (continued)

**GR-6.5.9** 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).

**GR-6.5.10** 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 investment firm licensee (i.e. create a conflict of interest).

GR-6.5.11 The CBB may appoint one or more of its officials to work on the appointed experts' team for a particular licensee.

### *The Required Report*

**GR-6.5.12** 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.

**GR-6.5.13** 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.

GR-6.5.14 The appointed experts' report should follow the format set out in Appendix BR-10, in part B of the CBB Rulebook.

**GR-6.5.15** Unless otherwise directed by the CBB or unless the circumstances described in Section GR-6.5.19 apply, the report must be discussed with the Board of directors and/or senior management in advance of it being sent to the CBB.



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## GR-6.5 Role of the Appointed Expert (continued)

### GR-6.5.16

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.

### GR-6.5.17

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.

### GR-6.5.18

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*

### GR-6.5.19

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.

### GR-6.5.20

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.

### GR-6.5.21

If appointed experts decide to communicate directly with the CBB in the circumstances set out in Paragraph GR-6.5.19, 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.



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## GR-6.5 Role of the Appointed Expert (continued)

### *Permitted Disclosure by the CBB*

#### GR-6.5.22

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*

#### GR-6.5.23

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.