



# **EXECUTIVE SUMMARY MODULE**



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CHAPTER	ES-A:	Introduction

## ES-A.1 Purpose

### *Executive Summary*

- ES-A.1.1 The purpose of this Module is to:
- Provide an overview of the structure of Volume 7 (Collective Investment Undertakings); and
  - Outline the transition rules for the implementation of Volume 7.
- ES-A.1.2 Volume 7 (Collective Investment Undertakings) sets out the Central Bank of Bahrain's ('CBB') regulatory framework governing collective investment undertakings ('CIUs'). Volume 7 sets out requirements relevant to all CIUs that are domiciled in the Kingdom of Bahrain ('Bahrain domiciled CIUs'). It also prescribes requirements relating to CIUs that are domiciled in an overseas jurisdiction ('overseas domiciled CIUs') and offered to investors in the Kingdom of Bahrain.
- ES-A.1.3 CIUs are defined in Section ARR-1.2 as undertakings the sole object of which is the collective investment of capital raised from the public or through private placement, including investment seeded by the operator, in financial instruments and other assets and which operates on the basis of risk-spreading as appropriate; and the holdings of which may be re-purchased or redeemed out of those undertakings' assets. The definition of CIUs further specifies the various legal forms that a CIU may take.
- ES-A.1.4 The definition of CIUs includes closed-ended funds as well as open-ended funds, and includes funds formed under statute (as investment companies), as well as contract law and trust law (respectively referred to, as common funds and as unit trusts).
- ES-A.1.5 Module ARR distinguishes between CIUs that are classified as retail CIUs, which may be offered to all types of investors, and expert CIUs, which may only be offered to expert investors (as defined in this Module). Retail CIUs are subject to more restrictive investment rules, aimed at protecting the general retail investor. Module CIU also defines a category of exempt CIUs. CIUs that fall under this category are largely exempt from the requirements contained in this Module; however, they may only be offered to a very restricted investor base ('accredited investors'). Additionally, Module ARR addresses the requirements for Bahrain Domiciled Real Estate Investment Trusts (B-REITs) and to register private investment undertakings (PIUs), which may only be offered to high net worth investors and institutional investors, subject to the terms and conditions outlined in Module PIU..



<b>MODULE</b>	<b>ES: Executive Summary</b>
<b>CHAPTER</b>	<b>ES-A: Introduction</b>

## **ES-A.1 Purpose (continued)**

ES-A.1.6 Bahrain domiciled retail CIUs and Bahrain domiciled expert CIUs must be authorised by the CBB prior to being offered to investors (whether resident in the Kingdom of Bahrain or outside). Bahrain domiciled exempt CIUs need only register with the CBB before being offered to investors.

ES-A.1.7 Overseas domiciled retail CIUs and expert CIUs also require CBB authorisation before being offered to investors in the Kingdom of Bahrain. However, for CIUs domiciled in recognised jurisdictions, retail CIUs are required to register with the CBB, and expert CIUs are required to be filed with the CBB, rather than seeking authorisation, on the basis that they have already been adequately vetted in their home jurisdiction. Overseas domiciled exempt CIUs are required to register with the CBB before being offered, except for those domiciled in a recognised jurisdiction, where they need to be filed with the CBB.

ES-A.1.8 Volume 7 replaces previous circulars and other regulatory instruments relating to CIUs, issued over a number of years (see Rule ES-A.2.4). It updates these previous requirements, which were effectively geared towards the retail investor, and provides for a greater range of CIUs to be offered, through its provisions regarding expert CIUs and exempt CIUs.

### ***Legal Basis***

**ES-A.1.9** This Module contains the CBB's Directive (as amended from time to time) relating to transition rules, 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'). This directive is applicable to all CBB licensees that are relevant persons, as defined in Module RP.

ES-A.1.10 Relevant persons that are not CBB licensees (because they are not undertaking regulated services within Bahrain) but whose activities fall within the scope of Volume 7, are also subject to the requirements of Volume 7 with respect to the CIU(s) concerned.

ES-A.1.11 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.

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## ES-A.2 Module History

### *Evolution of Module*

ES-A.2.1 This Module was first issued in April 2007, as part of the initial release of the contents of Volume 6 (Capital Markets); it was given an effective date of 1 June 2007, with a one-year transition for existing CIUs.

ES-A.2.2 The Module was subsequently revised in April 2012, by the addition of several sections catering for the role and responsibilities of relevant persons, the registration and authorisation requirements, corporate governance, and other relevant Chapters and has been reissued as Volume 7.

ES-A.2.3 A list of recent changes made to this Module subsequent to the [April 2012] revision is provided below:

Module Ref.	Change Date	Description of Changes
ES-A.1.7	07/2015	Clarified guidance allowing for filing process for expert CIUs and overseas domiciled exempt CIUs from recognised jurisdictions.

### *Superseded Requirements*

**ES-A.2.4** Volume 7 supersedes the requirements contained in Module CIU in Volume 6 (Capital Markets).



<b>MODULE</b>	<b>ES: Executive Summary</b>
<b>CHAPTER</b>	<b>ES-1: Structure</b>

## **ES-1.1 Structure of Volume 7 (Collective Investment Undertakings)**

- ES-1.1.1** The contents of Volume 7 applies to all Collective Investment Undertakings, thereafter referred to in the Module as CIUs, that are:
- (a) Domiciled in the Kingdom of Bahrain (irrespective of the jurisdiction in which they are offered); and
  - (b) Domiciled in an overseas jurisdiction, but offered to investors resident in Bahrain.

ES-1.1.2 The structure of Volume 7 (Collective Investment Undertakings) is as follows:

Chapter	Heading	Type of CIU
ARR	Authorisation/Registration Requirements	Bahrain Domiciled CIUs Overseas Domiciled CIUs
RP	Relevant Persons	Bahrain Domiciled CIUs Overseas Domiciled CIUs
CG	Corporate Governance	Bahrain Domiciled CIUs
LDR	Liquidation/De-registration Requirements	Bahrain Domiciled CIUs
BDR	Bahrain Domiciled Retail CIUs	Bahrain Domiciled Retail CIUs
BDE	Bahrain Domiciled Expert CIUs	Bahrain Domiciled Expert CIUs
BDX	Bahrain Domiciled Exempt CIUs	Bahrain Domiciled Exempt CIUs
BRT	Bahrain Domiciled Real Estate Investment Trusts (B-REITs)	Bahrain Domiciled Expert CIUs Bahrain Domiciled Exempt CIUs
ODC	Overseas Domiciled CIUs	Overseas Domiciled CIUs
SCC	Sharia Compliant CIUs	Bahrain Domiciled CIUs Overseas Domiciled CIUs
PIU	Private Investment Undertakings (PIUs)	Private Investment Undertakings (PIUs)
CRR	CIU Reporting Requirements	Bahrain Domiciled CIUs Overseas Domiciled CIUs
EN	Enforcement	Bahrain Domiciled CIUs



MODULE	ES:	Executive Summary
CHAPTER	ES-2:	Transition Rules

## ES-2.1 Implementation by Existing CIUs

### ES-2.1.1

All Bahrain domiciled CIUs authorised/registered by the CBB and all overseas domiciled CIUs authorised/registered by the CBB prior to April 2012, are required to meet the provisions of Volume 7 by 31<sup>st</sup> December 2012.

### ES-2.1.2

Where a Bahrain domiciled CIU was structured as a series of separate offerings, before the issuance of Volume 7 in April 2012, such as an umbrella fund with a series of sub-funds, whereby each is a separate offering and financially independent of others established within the same legal vehicle, each sub-fund is to be treated as a separate CIU.

### ES-2.1.3

The operator of the Bahrain domiciled CIU in question – together with the directors or trustees of the CIU (as appropriate) - are required to ensure that each sub-fund or separate offering complies with the applicable Rules prescribed in Volume 7.