



OVERSEAS DOMICILED CIUs MODULE



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MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-A: Introduction

ODC-A.1 Purpose

Executive Summary

ODC-A.1.1 This Module sets out the Central Bank of Bahrain's (CBB) requirements for Overseas Domiciled CIUs.

Legal Basis

ODC-A.1.2 This Module contains the CBB's Directive (as amended from time to time) regarding overseas domiciled CIUs 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').

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



MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-A: Introduction

ODC-A.2 Module History

Evolution of Module

- ODC-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.
- ODC-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.
- ODC-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
ODC-1.1.1, ODC-6.1.1, ODC6.2	07/2015	Amended to reflect the process for filing for exempt and expert CIUs.
ODC-5.1.2	07/2015	Added requirement for placement agent to retain supporting documentation ensuring suitability of the CIU for the targeted category of investors.
ODC-B.1.2	07/2017	Deleted “resident” with respect to investors.
ODC-3.1.1; ODC-3.1.2	07/2017	Deleted “Bahrain resident” and added “CIU participants in Bahrain”.
ODC-7	10/2017	Added new section on ‘Listing Requirements’.

Superseded Requirements

- ODC-A.2.4 This Module supersedes the following provisions contained in circulars or other regulatory instruments:

Circular / other reference

Volume 6 Module CIU

- ODC-A.2.5 Further guidance on the implementation and transition to Volume 7 (Collective Investment Undertakings) is given in Module ES (Executive Summary).

MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-B: Definition

ODC-B.1 Definition

ODC-B.1.1 Overseas domiciled CIUs are undertakings as defined under Paragraph ARR-B.1.11 of Module ARR.

ODC-B.1.2 Overseas domiciled CIUs are only impacted by the requirements contained in this Module, if they are offered to investors in the Kingdom of Bahrain.

MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-1: General Requirements

ODC-1.1 Authorisation, Registration and Filing Requirements

ODC-1.1.1 Overseas domiciled CIUs must be registered/authorised by the CBB, or filed with the CBB, as applicable, prior to being offered to investors, in accordance with the requirements set out in Chapter ARR-5 of Module ARR.

ODC-1.1.2 Overseas domiciled CIUs must only be distributed by placement agents as defined under Chapter RP-12 Module RP.



MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-1: General Requirements

ODC-1.2 Distribution Requirements

ODC-1.2.1 The placement agent of an overseas domiciled CIU must always make available a copy of the CIU's most recent prospectus and simplified prospectus (where applicable) free of charge to any potential eligible investor.

ODC-1.2.2 The placement agent of an overseas domiciled CIU must provide explanations and such other information supplementary to the prospectus as may be reasonably required by a potential investor.

ODC-1.2.3 The placement agent of an overseas domiciled CIU must ensure that the CIU's prospectus and simplified prospectus (where applicable) are kept up-to-date.

ODC-1.2.4 Any change to the prospectus and simplified prospectus must be communicated to the CBB and to CIU participants, within the deadline specified by the home regulator.

ODC-1.2.5 A most recent copy of the prospectus and simplified prospectus (where applicable) must be made available to the CBB upon request.

ODC-1.2.6 The placement agent of overseas domiciled expert CIUs and overseas domiciled exempt CIUs must be able to demonstrate that each of their participants fall within the definition of an expert investor or accredited investor (as appropriate). They must also be able to demonstrate that the additional risks potentially represented by an expert CIU or exempt CIU have been clearly communicated and understood by the CIU participants.

ODC-1.2.7 To demonstrate compliance with Rule ODC-1.2.6, the CBB would expect to see a written confirmation from each CIU participant, stating that they satisfy the definition of an expert investor or accredited investor (as appropriate) and confirming that they understand the higher risks involved in an expert CIU or exempt CIU.



MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-2: Advertising

ODC-2.1 Overseas Domiciled Retail CIUs and Overseas Domiciled Expert CIUs

ODC-2.1.1

The placement agent of overseas domiciled retail CIUs and overseas domiciled expert CIUs is responsible to ensure that the advertisements in respect of such CIUs must:

- (a) Be fair, transparent and not misleading;
- (b) Be clear and self-explanatory (describing the nature or type of CIU to which the advertisement relates);
- (c) State any assumptions, forecasts and projections, on which claims in advertisements are based. Where an advertisement contains any forecast or projection, it must make clear the basis upon which that forecast or projection is made;
- (d) Contain risk warnings, including the potential for loss, in a manner that such warning is prominently presented and not obscured or disguised. The font used for risk warnings must be readable, bold and not less than the font of the advertisement material;
- (e) Not describe CIUs as “guaranteed” unless there is a legally enforceable capital guarantee;
- (f) Not include any comparisons which may be misleading, considering the circumstances of the CIU; and
- (g) Include a statement informing the client that more detailed information on the CIU is contained in the prospectus, a copy of which must be made available to the client, free of charge.

ODC-2.1.2 For the purposes of this Module, advertising may include, but is not limited to print or other media, e-mail or internet.

MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-2: Promotion and Marketing

ODC-2.2 Overseas Domiciled Exempt CIUs

ODC-2.2.1 The promotion of overseas domiciled exempt CIUs must be limited to accredited investors and no public offering or mass marketing is permitted.



MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-3: Reporting Requirements

ODC-3.1 Reporting to CIU Participants

ODC-3.1.1

Overseas domiciled CIUs must publish and distribute to their CIU participants in Bahrain at least one report in respect of each financial year. Annual reports and accounts prepared in accordance with home jurisdiction accounting standards must be published and distributed to CIU participants within the time scales, format and means of distribution specified by their home jurisdiction. Such time scales, format and means of distribution must be communicated to the CIU participants prior their investment.

ODC-3.1.2

Overseas domiciled CIUs must distribute to their CIU participants any other reports (such as valuation reports), where these are specified in the CIU's prospectus.

ODC-3.1.3

Overseas domiciled CIUs must notify CIU participants in a timely manner of any intention to merge, transfer, wind up or suspend dealings in the CIU.



MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-3: Reporting Requirements

ODC-3.2 Reporting to CBB

ODC-3.2.1 The placement agent of an overseas domiciled CIU must notify the CBB in a timely manner of any intention to merge, transfer, wind up or suspend dealings in the CIU.

ODC-3.2.2 The placement agent of an overseas domiciled CIU must complete and submit to the CBB, the CIU Quarterly Statistical Return (Form CIU (QS)), within 21 calendar days of the end of each quarter.



MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-4: Fees and Charges

ODC-4.1 General Requirements

ODC-4.1.1 The placement agent of an overseas domiciled CIU must abide by the terms and conditions stated in the prospectus of the CIU with regards to fees and charges payable by the CIU participant.



MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-5: Books and Records

ODC-5.1 General Requirements

ODC-5.1.1 The placement agent of an overseas domiciled CIU must keep copies of all reports to the CIU participants and the CBB, within its premises. Such reports should be available to the CBB upon request.

ODC-5.1.2 The placement agent of an overseas domiciled CIU must keep all documents supporting the due diligence process undertaken to ensure suitability of the CIU to the targeted category of investors within its premises. Such documents must be available to the CBB upon request.

MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-6: De-registration/Authorisation of Overseas Domiciled CIUs

ODC-6.1 Voluntary De-registration/Authorisation or Withdrawal of Filing

ODC-6.1.1 The placement agent of an overseas domiciled CIU, must give at least one month's written notice to CIU participants and to the CBB of its intention to de-register/authorise or withdraw the filing of the CIU. The notification must be submitted along with an explanation of the reasons for wishing to de-register/authorise or withdraw filing of the CIU, and subsequently a confirmation that there are no obligations outstanding to any CIU participant.

ODC-6.1.2 The CBB will normally respond to such requests within 15 business days of the request being made.

MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-6: De-registration/Authorisation of Overseas Domiciled CIUs

ODC-6.2 Cancellation of Authorisation, Registration of Filing by the CBB

ODC-6.2.1 The CBB may cancel the authorisation, registration or filing of an overseas domiciled CIU if in its opinion it believes it necessary in order to safeguard the interests of potential investors or the CIU participants.

ODC-6.2.2 Where the CBB proposes to cancel an overseas domiciled CIU authorisation, registration or filing pursuant to Paragraph ODC-6.2.1, it shall give the placement agent a written notice of its intention to do so and the reasons for such action.



MODULE	ODC: Overseas Domiciled CIUs
CHAPTER	ODC-7: Listing Requirements

ODC-7.1 General Requirements

ODC-7.1.1 Overseas Domiciled CIUs may only be listed on a licensed exchange and must state such intention in the prospectus.

ODC-7.1.1A An example of a listed Overseas Domiciled CIU include Exchange Traded Funds (ETFs). ETFs are effectively mutual funds that are traded like stocks on a stock exchange. An ETF is a marketable security that tracks an index, a commodity, bonds or a basket of securities.

ODC-7.1.2 In the case that an Overseas Domiciled CIU intends to be listed subsequent to being authorized/registered by the CBB, it must:
(a) Notify the CIU participants of such intention.

ODC-7.1.3 Subsequent to fulfilling the requirements listed in Paragraph ODC-7.1.2, the placement agent of the CIU must:
(a) Obtain CBB's non-objection to be listed;
(b) Obtain the required approvals from the licensed exchange; and
(c) Thereafter, notify the CBB of the effective date of listing.

ODC-7.1.4 In the event of listing, the prospectus of the listed CIU must be made available to potential subscribers.

ODC-7.1.5 Listed CIUs must at all times observe the definition of "eligible investors" as per indicated in the prospectus.

ODC-7.1.6 The listed overseas domiciled CIU must follow the listing rules provided by the licensed exchange.