



USER'S GUIDE MODULE



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MODULE	UG: User's Guide
CHAPTER	UG-A: Introduction

UG-A.1 Purpose

Executive Summary

- UG-A.1.1 The Central Bank of Bahrain ('the CBB'), in its capacity as the regulatory and supervisory authority for all financial institutions in Bahrain, issues regulatory instruments that licensees and other specified persons are legally obliged to comply with. These regulatory instruments are contained in the CBB Rulebook. Much of the Rulebook's substantive content was previously issued by the Bahrain Monetary Agency ('the BMA'), and was carried forward when the CBB replaced the BMA in September 2006.
- UG-A.1.2 The Rulebook is divided into 7 Volumes, covering different areas of financial services activity. These Volumes are being progressively issued. Volumes 1 and 2, covering conventional bank licensees and Islamic bank licensees respectively, were issued in July 2004 and January 2005; Volume 3, covering insurance licensees, was issued in April 2005, Volume 4, covering investment business firms was issued in April 2006. Volume 5 covering specialised licensees, is being issued in phases, part of which were issued in 2010 and 2011. Volume 6 (capital markets), has also been issued in phases, starting in April 2007. Volume 7 covering collective investment undertakings is being issued in April 2012. The Volume 7 content has been drawn from Module CIU which was previously included under Volume 6.
- UG-A.1.3 This User's Guide provides guidance on (i) the status and application of the Rulebook, with specific reference to Volume 7 (Collective Investment Undertakings); (ii) the structure and design of the Rulebook; and (iii) its maintenance and version control.
- UG-A.1.4 Volume 7 (Collective Investment Undertakings) covers the types of CIUs authorised or registered by the CBB. It contains authorisation/registration requirements; and corporate governance requirements. Collectively, these requirements are aimed at providing an appropriate level of protection to investors in such CIUs.



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CHAPTER	UG-A: Introduction

UG-A.1 Purpose (continued)

Legal Basis

UG-A.1.5 This Module contains the CBB's Directive (as amended from time to time) regarding the User's Guide for Volume 7 of the CBB Rulebook, 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'). The Directive is this Module is applicable to all **CBB licensees** that are **relevant persons**, as defined in Module RP.

UG-A.1.6 Relevant persons that are not CBB licensees (because they are not undertaking regulated services within Bahrain) but whose activities fall within the scope of this Module, are also subject to the requirements of this Module with respect to the CIU(s) concerned.

UG-A.1.7 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



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CHAPTER	UG-A: Introduction

UG-A.2 Module History

Evolution of Module

UG-A.2.1 This Module was first issued in April 2012, as part of the initial release of the contents of Volume 7 (Collective Investment Undertakings). 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.

UG-A.2.2 A list of recent changes made to this Volume is provided below:

Module Ref.	Change Date	Description of Changes
UG-3.2 and Annex	01/2013	Amended as CBB Rulebook only now available on CBB Website.
UG-1.3.4	10/2016	Add a paragraph to clarify reference to 'he' 'his' 'she' and 'her'.
UG-1.1.2	07/2017	Amended paragraph.

UG-A.2.3 Guidance on the implementation and transition to Volume 7 (Collective Investment Undertakings) is given in Module ES (Executive Summary).



MODULE	UG: User's Guide
CHAPTER	UG-1: Rulebook Status and Application

UG-1.1 Legal Basis

General

- UG-1.1.1 Volume 7 (Collective Investment Undertakings) of the CBB Rulebook is issued by the CBB pursuant to the Central Bank of Bahrain and Financial Institutions Law 2006 ('the CBB Law'). The CBB Law provides for two formal rulemaking instruments: Regulations (made pursuant to Article 37) and Directives (made pursuant to Article 38).

CBB's Rulemaking Instruments

- UG-1.1.2 Regulations are made pursuant to Article 37 of the CBB Law. These instruments have general application throughout the Kingdom and bind all persons ordinarily affected by Bahraini legislative measures.
- UG-1.1.3 Because Regulations have wide general application, they are subject to two important safeguards: (i) the CBB is under a duty to consult with interested parties and to review and consider their comments; and (ii) the finalised Regulations only become effective after they are published in the Official Gazette.
- UG-1.1.4 Directives are made pursuant to Article 38 of the CBB Law. These instruments do not have general application in the Kingdom, but are rather addressed to specific licensees (or categories of licensees), approved persons or registered persons. Directives are binding on those to whom they are addressed.
- UG-1.1.5 Unlike Regulations, there is no duty on the CBB to either consult with addressees or publicise a Directive by publishing it in the Official Gazette (save that an addressee must obviously have actual or constructive notice of a Directive). However, as a matter of general policy, the CBB also consults on Rulebook content issued by way of a Directive.
- UG-1.1.6 All of the content of the CBB Rulebook has the legal status of at least a Directive, issued pursuant to Article 38 of the CBB Law. Certain of the requirements contained in the CBB Rulebook may also have the status of a Regulation, in which case they are also separately issued pursuant to Article 37 of the CBB Law and published in the Official Gazette. Where this is the case, then the Rulebook cross-refers to the Regulation in question and specifies the requirements concerned.
- UG-1.1.7 In keeping with the nature of these regulatory instruments, Regulations are used to supplement the CBB Rulebook, either where explicitly required under the CBB Law, or where a particular requirement needs to have general applicability, in addition to being applied to licensees, approved persons or registered persons.



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CHAPTER	UG-1: Rulebook Status and Application

UG-1.2 Status of Provisions

UG-1.2.1

The contents of the CBB Rulebook are categorised either as Rules or as Guidance. Rules have a binding effect. Guidance is not binding; rather, it is material that helps inform a particular Rule or set of Rules, or provides other general information.

UG-1.2.2

Where relevant, compliance with Guidance will generally lead the CBB to assess that the rule(s) to which the Guidance relates has been complied with. Conversely, failure to comply with Guidance will generally be viewed by the CBB as tending to suggest breach of a Rule.

UG-1.2.3

The categorisation of each Paragraph within the Rulebook is identified by its text format, as follows:

- Rules are in bold, font size 12. The Paragraph reference number is also highlighted in a coloured box.
- Guidance is in normal type, font size 11.

UG-1.2.4

Where there are differences of interpretation over the meaning of a Rule or Guidance, the CBB reserves the right to apply its own interpretation.

UG-1.2.5

Rule UG-1.2.4 does not prejudice the rights of an authorised person to make a judicial appeal, should it believe that the CBB is acting unreasonably or beyond its legal powers.

UG-1.2.6

All Rulebook content has the formal status of at least a Directive. Some Rulebook content may also have the status of Regulations. Rulebook content that is categorised as a Rule is therefore legally mandatory and must be complied with by those to whom the content is addressed.

UG-1.2.7

Breaches of Rules constitute breaches of the CBB Law. If a licensee or person breaches a Rule to which they are subject, they are liable to enforcement action by the CBB and, in certain cases, criminal proceedings by the Office of the Public Prosecutor.

UG-1.2.8

The CBB's enforcement powers and processes are set out in Module EN.



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CHAPTER	UG-1: Rulebook Status and Application

UG-1.3 Application

- UG-1.3.1 Volume 7 of the CBB Rulebook applies only to CIUs, and to relevant persons of CIUs.
- UG-1.3.2 A few Rules and Guidance have general applicability (and thus also have the formal status of a Regulation): for instance, no person may establish a Bahrain domiciled CIU, unless the CIU is either authorised or registered, as required under Volume 7.
- UG-1.3.3 Each Module in Volume 7 contains a Scope of Application Chapter, setting out which Rules and Guidance apply to which particular type of CIU for the Module concerned. In addition, each Rule (or Section containing a series of Rules) is drafted such that its application is clearly highlighted for the user. Finally, each Module, in its Purpose Section, specifies in all cases the rulemaking instrument(s) used to issue the content of the Module in question, and the legal basis underpinning the Module's requirements.
- UG-1.3.4 All references in this Module to 'he' or 'his' shall, unless the context otherwise requires, be construed as also being references to 'she' and 'her'.



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CHAPTER	UG-1:	Rulebook Status and Application

UG-1.4 Effective Date

UG-1.4.1

Volume 7 (Collective Investment Undertakings) of the CBB Rulebook was first issued in April 2012. Its contents have immediate effect, subject to any specific transition arrangements that may be specified.

UG-1.4.2 Module ES (Executive Summary) contains details of the implementation and transition arrangements for Volume 7 (Collective Investment Undertakings).



MODULE	UG: User's Guide
CHAPTER	UG-2: Rulebook Structure and Format

UG-2.1 Rulebook Structure

Rulebook Volumes

UG-2.1.1 The Rulebook is divided into 7 Volumes, covering different areas of financial services activity, as follows:

Volume 1	Conventional Banks
Volume 2	Islamic Banks
Volume 3	Insurance
Volume 4	Investment Business
Volume 5	Specialised Activities
Volume 6	Capital Markets
Volume 7	Collective Investment Undertakings

UG-2.1.2 Volume 5 (Specialised Activities), covers money changers; financing companies; representative offices; administrators; trust service providers and micro-finance institutions.

Rulebook Contents (Overview)

UG-2.1.3 Except for Volumes 5, 6 and 7, the basic structure of each Rulebook is the same. Each Volume starts with a contents page and an introduction containing a User's Guide and Executive Summary. Subsequent material is organised underneath the following headings:

- High-level Standards;
- Business Standards;
- Reporting Requirements;
- Enforcement and Redress; and, where appropriate,
- Sector Guides.

UG-2.1.4 Volume 5 is organised by the Category of specialised firm concerned, Volume 6 by subject area (authorised exchanges; issuers of securities etc), whilst Volume 7 is categorised by type of CIU.

UG-2.1.5 The material in Volumes 1-4 is contained in Modules, each covering a specific area of requirements (e.g. capital). In turn, each Module is divided into Chapters, Sections and Paragraphs, as detailed below.

UG-2.1.6 Each Volume has its own appendix Volume containing relevant reporting and authorisation forms; a glossary; and any supplementary information. In all cases, the main Volume is called 'Part A' and the appendix Volume is called 'Part B'.



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CHAPTER	UG-2: Rulebook Structure and Format

UG-2.2 Volume Structure

Modules

- UG-2.2.1 Rulebook Volumes are subdivided into Modules, arranged in groups according to their subject matter, underneath the headings listed in Paragraph UG-2.1.3 above.
- UG-2.2.2 Each Module in a Volume is referenced using a two or three-letter code, which is usually a contraction or abbreviation of its title. These codes are used for cross-referencing within the text.

Chapters

- UG-2.2.3 Each Module consists of Chapters, categorised into two types:
- Standard introductory Chapters (referenced with a letter: e.g. UG-A); and
 - Chapters containing the substantive content of the Module (referenced with a number: e.g. CA-1, ML-2, etc.)
- UG-2.2.4 The introductory Chapters summarise the purpose of the Module, its history (in terms of changes made to its contents) and, where relevant, lists previously issued circulars and regulations that were replaced by the Rulebook Module. A separate introductory Chapter also prescribes the scope of application of the Module's requirements.

Sections and Paragraphs

- UG-2.2.5 Chapters are further sub-divided into Sections: these extend the Chapter numbering (e.g. FC-1.1, FC-1.2, FC-1.3 etc). In turn, Sections are sub-divided into Paragraphs; these extend the Chapter and Section numbering (e.g. FC-1.1.1, FC-1.1.2, FC-1.1.3 etc.). Where appropriate, sub-Section headings may be used, to guide the reader through a Section; sub-Section headings are italicised and unnumbered, and act purely as an indicator (without limitation) as to the contents of the Paragraphs that follow.

Table of Contents

- UG-2.2.6 Each Volume's contents page lists all the Modules contained within it (Part A) and the information contained in the relevant appendix Volume (Part B).
- UG-2.2.7 The contents page of each Module lists the Chapters and Sections it contains, and the latest version date of each Section in issue.



MODULE	UG: User's Guide
CHAPTER	UG-2: Rulebook Structure and Format

UG-2.3 Format and Page Layout

Headers

- UG-2.3.1 The top of each page in the Rulebook identifies the Volume, Module and Chapter in question.

Footers

- UG-2.3.2 The bottom of each page in the Rulebook (on the left hand side) identifies the Module in question, its Section and page number. Page numbering starts afresh for each Section: the total number of pages in each Section is shown as well as the individual page number. The bottom right hand side shows an end-calendar quarter issue date. The contents page for each Module, and each Section in a Module, are each given their own issue date. In addition, the Module contents page lists the latest issue date for each Section in that Module. The contents page thus acts as a summary checklist of the current issue date in force for each Section. Further explanation is provided in Section UG-3.1 below.

Defined terms

- UG-2.3.3 Defined terms used in the Rulebook are underlined. Each Volume has its own glossary listing defined terms and giving their meaning. Definitions of terms used apply only to the Volume in question. It is possible for the same term to be used in a different Volume with a different meaning.

Cross-references

- UG-2.3.4 Any cross-references given in a text state the Module code, followed (where appropriate) by the numbering convention for any particular Chapter, Section or Paragraph being referred to. For example, the cross-reference FC-1.2.3 refers to the third Paragraph in the second Section of the first Chapter of the Financial Crime Module. Many references will be quite general, referring simply to a particular Module, Chapter or Section, rather than a specific Paragraph.

Text format

- UG-2.3.5 Each Paragraph is assigned a complete reference to the Module, Chapter, and Section, as well as its own Paragraph number, as explained in Paragraph UG-2.3.4 above. The format of the Paragraph reference and text indicates its status as either a Rule or Guidance, as explained in Paragraph UG-1.2.4 above.
- UG-2.3.6 When cross-referring to specific Paragraphs, and it is important to make clear the status of the Paragraph in question as a Rule or Guidance, then the words 'Rule' or 'Guidance' may be used instead of 'Paragraph', followed by the reference number (e.g. 'As required by Rule FC-1.1.1, licensees must...').



MODULE	UG: User's Guide
CHAPTER	UG-3: Rulebook Maintenance and Access

UG-3.1 Rulebook Maintenance

Quarterly Updates

- UG-3.1.1 Any changes to the Rulebook are generally made on a quarterly cycle (the only exception being when changes are urgently required), in early January, April, July and October. When changes are made to a Module, the amended Sections are given a new version date, in the bottom right-hand page.
- UG-3.1.2 The contents page for each amended Module is also updated: the table of contents is changed to show the new version date for each amended Section (in the 'Date Last Changed' column), and the contents page itself is also given its own new version date in the bottom right-hand corner. The Module contents pages thus act as a checklist for hard-copy users to verify which are the current version dates for each Section in that Module.
- UG-3.1.3 A summary of any changes made to a Module is included in the Module History Section of each Module. The table summarises the nature of the change made, the date of the change, and the Module components and relevant pages affected. The Module History can thus be used to identify which pages were updated within individual Sections.
- UG-3.1.4 Hard-copy users of the CBB Rulebook can check that they have the latest copy of each Module's contents pages, by referring to the overall table of contents for each Volume. The Volume table of contents lists the date each Module was last changed; users can use this table to check the date showing in the bottom right-hand corner of each Module's contents page.
- UG-3.1.5 The website version of the Rulebook acts at all times as the definitive version of the Rulebook. Any changes are automatically posted to the CBB website, together with a summary of those changes. Licensees are in addition e-mailed every quarter, to notify them of any changes (if any). Hard-copy users are invited to print off the updated pages from the website to incorporate in their Rulebook in order to keep it current.

Changes to Numbering

- UG-3.1.6 In order to limit the knock-on impact of inserting or deleting text on the numbering of text that follows the change, the following conventions apply:
- (a) Where a new Paragraph is to be included in a Section, such that it would impact the numbering of existing text that would follow it, the Paragraph retains the numbering of the existing Paragraph immediately preceding it, but with the addition of an "A"; a second inserted Paragraph that follows immediately afterwards would be numbered with a "B", and so on.



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CHAPTER	UG-3:	Rulebook Maintenance and Access

UG-3.1 Rulebook Maintenance (continued)

- UG-3.1.6 For example, if a new Paragraph needs to be inserted after UG-3.1.6, it would be numbered UG-3.1.6A; a second new Paragraph would be numbered UG-3.1.6B, and so on. This convention avoids the need for renumbering existing text that follows an insertion. The same principle is applied where a new Section or a new Chapter needs to be inserted: for example, UG-3.1A (for a new Section), and UG-3A (for a new Chapter); and
- (b) Where a Paragraph is deleted, then the numbering of the old Paragraph is retained, and the following inserted in square brackets: '[This Paragraph was deleted in April 2006.]' (The date given being the actual end-calendar quarter date of the deletion.) The same principle is applied with respect to Sections and Chapters.
- UG-3.1.7 Where many such changes have built up over time, then the CBB may reissue the whole Section, Paragraph, Chapter or even Module concerned, consolidating all these changes.



MODULE	UG: User's Guide
CHAPTER	UG-3: Rulebook Maintenance and Access

UG-3.2 Rulebook Access

Availability

UG-3.2.1 The Rulebook is available on the CBB website.

Queries

UG-3.2.2 Questions regarding the administration of the Rulebook (e.g. website availability, the updating of material etc) should be addressed to the Rulebook Section of the Licensing & Policy Directorate:
Rulebook Section
Licensing & Policy Directorate
Central Bank of Bahrain
P.O. Box 27
Manama
Kingdom of Bahrain

Tel: +973-17 547 413

Fax: +973-17 530 228

E-mail: rulebook@cbb.gov.bh

Web: www.cbb.gov.bh

Questions regarding interpretation of the policy and requirements contained in the Rulebook should be addressed to the licensee's regular supervisory point of contact within the CBB.



CBB Rulebook Order Form

[This form was deleted in January 2013]