



# **LIQUIDATION/DE-REGISTRATION MODULE**



<b>MODULE:</b>	<b>LDR (Liquidation/De-registration)</b>
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MODULE	LDR: Liquidation/De-registration
CHAPTER	LDR-A: Introduction

## LDR-A.1 Purpose

### *Executive Summary*

LDR-A.1.1 This Module sets out the Central Bank of Bahrain's (CBB) approach to liquidation/De-registration of CIUs. Furthermore, it distinguishes between the voluntary liquidation/De-registration of a CIU and instances where the CBB may revoke an authorization or registration of a CIU.

### *Legal Basis*

#### LDR-A.1.2

This Module contains the CBB's Directive (as amended from time to time) regarding liquidation/de-registration requirements applicable to collective investment undertakings 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').

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



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## **LDR-A.2 Module History**

### *Evolution of Module*

- LDR-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.
- LDR-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.
- LDR-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

### *Superseded Requirements*

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

Circular / other reference
Volume 6 Module CIU

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



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CHAPTER	LDR-1: Voluntary Liquidation of a CIU

## LDR-1.1 General Requirements

**LDR-1.1.1** A Bahrain domiciled CIU must continue to meet its contractual and regulatory obligations to CIU participants and creditors, throughout the process of liquidation.

**LDR-1.1.2** A Bahrain domiciled CIU must continue to comply with all applicable CBB requirements, until such time as it is formally notified by the CBB that it has been formally removed from the CBB's register of authorised/registered CIUs. Such requirements include the settlement of CBB annual fees once they fall due, in case the liquidation process is not fully concluded by the end of 31<sup>st</sup> December of the year of liquidation.

**LDR-1.1.3** The CBB reserves the right, to impose any further directions, it considers necessary to effect the fair and orderly liquidation of a CIU.



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## LDR-1.2 Notification

**LDR-1.2.1** Any intention to liquidate a Bahrain domiciled CIU must first be notified to the CBB by the operator together with reasons for having such intent. Notification must be made before entering into any other legally binding commitment to liquidate.

LDR-1.2.2 Following its receipt and acknowledgment of the notification referred to in Paragraph LDR-1.2.1, the operator may then seek the formal approvals needed from any person(s) other than the CBB, as required by law, before the liquidation process can be commenced.

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### **LDR-1.3 Prior Approval**

**LDR-1.3.1** Upon finalising the decision to liquidate, the operator of a Bahrain domiciled CIU must seek in writing, the CBB's prior written approval to liquidate. The liquidation must be subject to the terms of the instrument constituting the CIU and any other applicable laws.

**LDR-1.3.2** The formal request referred to in Paragraph LDR-1.3.1 must be supported by a Board Resolution ratifying the decision, subject to CBB approval.

LDR-1.3.3 The operator may not undertake any step amounting to actual liquidation of the CIU until it has received a final written approval from the CBB.

LDR-1.3.4 CBB approval in response to a request to liquidate a Bahrain domiciled CIU will normally be given in the following circumstances:

- (a) The CIU was not able to operate within 6 months from the CBB's authorisation/registration date (refer to Module ARR);
- (b) The purpose of the CIU cannot be accomplished;
- (c) The constitutional documents of the CIU stipulate a specific maturity date;
- (d) The NAV of the CIU has fallen below a certain size, where the board believes it is not feasible to continue operating the CIU; or
- (e) A resolution of a duly convened meeting of the CIU participants has been passed to liquidate the CIU.



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## LDR-1.4 Process

**LDR-1.4.1** Bahrain domiciled CIUs must simultaneously give at least one month's written notice, as a minimum, to CIU participants of their intention to liquidate the CIU, together with an explanation for such intention. A copy of this notice must be provided to the CBB at the time it is issued to CIU participants.

**LDR-1.4.2** Bahrain domiciled CIU must comply with all applicable laws and directions issued by the CBB, throughout the liquidation process.

**LDR-1.4.3** Subsequent to obtaining CBB approval for the liquidation, the board must hold an Extraordinary General Meeting (EGM) to resolve the following:

- (a) The date upon which the operations of the CIU and fund company (if applicable) will cease and the final accounts will be prepared;
- (b) The appointment of a liquidator, acceptable to the CBB, responsible for liquidating the CIU and fund company (if applicable); and
- (c) The appointment of an external auditor, acceptable to the CBB, responsible for preparing the final accounts of the CIU.

**LDR-1.4.4** Additionally, the CBB expects the determination of the timeframe whereby the proceeds of the CIU will be fully distributed to all CIU participants, to be ratified at the EGM.

**LDR-1.4.5** The appointments of the liquidator and the external auditor are subject to CBB approval.

**LDR-1.4.6** Upon completion of the liquidation process, the operator must submit the following to the CBB:

- (a) The final report from the liquidator confirming the completion of the liquidation process and the final audited accounts of the CIU and fund company (if applicable);
- (b) Evidence that the Commercial Registration of the fund company, provided by the Ministry of Industry and Commerce has been cancelled (if applicable);





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#### LDR-1.4 Process (continued)

- (c) An independent verification by the external auditor that the CIU's assets have been distributed to CIU participants in accordance with the instrument constituting the CIU. For non-operational CIUs, the audit verification must confirm that the CIU has not operated; and
- (d) A request for the CIU to be removed from the CBB's register of authorised/registered CIUs.

##### LDR-1.4.7

By virtue of its authorisation/registration with the CBB, the Bahrain domiciled CIU acknowledges the authority of the CBB to request the CIU to undergo liquidation or to de-register a CIU at any time and/or, acting by way of Directive, order its compulsory liquidation. Such powers shall be exercised reasonably. The CIU also acknowledges that the courts of Bahrain have the authority to order the compulsory liquidation of Bahrain domiciled CIUs.



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CHAPTER	LDR-2: Revocation of Authorisation

## LDR-2.1 CBB Revocation of Authorisation Powers

LDR-2.1.1 The CBB may revoke authorisation of a Bahrain domiciled CIU in the following cases:

- (a) If the CIU is not in operation within 6 months from the date of its authorisation (Refer to Module ARR);
- (b) If any of the applicable requirements contained in Volume 7 are not met;
- (c) If false or misleading information has been provided to the CBB, or significant information which should have been provided to the CBB has not been so provided; or
- (d) If the CBB believes it necessary in order to safeguard the interests of potential investors or the CIU's participants.

LDR-2.1.2 An authorisation may be revoked by the CBB, subsequent to the ruling of a competent authority, such as a court that has issued an order to liquidate the CIU.

### LDR-2.1.3

In the case that the CIU did not operate within 6 months from the date of its authorisation, the CIU must return back any monies collected from potential CIU participants together with all subscription fees charged, and confirm the same in writing to the CBB.

LDR-2.1.4 Where the CBB proposes to cancel a CIU's authorisation, it will give the CIU concerned a written notice of its intention to do so and the reasons for such action. The CIU has 30 calendar days from the date of the written notice to appeal the decision.



MODULE	LDR: Liquidation/De-registration
CHAPTER	LDR-3: Revocation of Registration

## LDR-3.1 CBB Revocation of Registration Powers

LDR-3.1.1 The CBB may revoke registration of a Bahrain domiciled exempt CIU in the following cases:

- (a) If the CIU is not in operation within 6 months from the date of its registration (Refer to Module ARR);
- (b) If any of the applicable requirements contained in Volume 7 are not met;
- (c) If false or misleading information has been provided to the CBB, or significant information which should have been provided to the CBB has not been so provided; or
- (d) If the CBB believes it necessary in order to safeguard the interests of potential investors or the CIU's participants.

LDR-3.1.2 A registration may be revoked by the CBB, subsequent to the ruling of a competent authority, such as a court that has issued an order to liquidate the CIU.

### LDR-3.1.3

In the case that the CIU did not operate within 6 months from the date of its registration, the CIU must return back any monies collected from potential CIU participants together with all subscription fees charged, and confirm the same in writing to the CBB.

LDR-3.1.4 Where the CBB proposes to cancel a CIU's registration, it shall give the CIU concerned a written notice of its intention to do so and the reasons for such action. The CIU has 30 calendar days from the date of the written notice to appeal the decision.