



# **CBB REPORTING REQUIREMENTS MODULE**



**MODULE:**

**CBB Reporting Requirements**

**Table of Contents**

**Date Last  
Changed**

<b>BR-A</b>	<b>Introduction</b>	
	BR-A.1 Purpose	01/2011
	BR-A.2 Key Requirements	04/2012
	BR-A.3 Module History	07/2014
<b>BR-1</b>	<b>Regular Reporting – Annual Requirements</b>	
	BR-1.1 Locally Incorporated Banks	01/2014
	BR-1.2 Branches of Foreign Banks	01/2014
	BR-1.3 All Banks	07/2014
	BR-1.4 All Retail Banks	04/2014
<b>BR-2</b>	<b>Regular Reporting – Semi-Annual (Interim) Requirements</b>	
	BR-2.1 Retail Branches of Foreign Banks	04/2012
	BR-2.2 Locally Incorporated Banks	04/2014
<b>BR-3</b>	<b>Regular Reporting – Quarterly Requirements</b>	
	BR-3.1 Locally Incorporated Banks	07/2014
	BR-3.1A Branches of Foreign Banks	10/2011
	BR-3.2 [This Section deleted 07/2011]	07/2011
<b>BR-4</b>	<b>Regular Reporting – Monthly Requirements</b>	
	BR-4.1 All Licensed Banks	10/2011
	BR-4.2 [This Section deleted 07/2006]	
	BR-4.3 Locally Incorporated Banks	04/2011
<b>BR-4A</b>	<b>Other Reporting Requirements</b>	
	BR-4A.1 IIS Reporting Requirements	01/2013
	BR-4A.2 Internet Security Measures	07/2014
	BR-4A.3 Compliance with Remuneration Rules under Module HC	07/2014
	BR-4A.4 Remuneration of Top 12 Employees	01/2014
<b>BR-5</b>	<b>Ad-hoc Reporting and Notification</b>	
	BR-5.1 All Licensed Banks	04/2014
	BR-5.2 Bahraini Islamic Banks	04/2014
	BR-5.3 Retail Banks	04/2014
<b>BR-6</b>	<b>Information Gathering by the CBB</b>	
	BR-6.1 Power to Request Information	01/2012
	BR-6.2 Access to Premises	10/2011
	BR-6.3 Accuracy of Information	10/2011
	BR-6.4 Methods of Information Gathering	01/2012
	BR-6.5 The Role of the Appointed Expert	01/2012



<b>MODULE:</b>	<b>CBB Reporting Requirements</b>
<b>Table of Contents</b>	

**Date Last  
Changed**

**APPENDICES**

Appendix BR-1:	Instructions for Completion of Statistical Returns	
Appendix BR-2:	Statistical Returns	
Appendix BR-4:	Guidelines for Completion of the Prudential Information Returns	
Appendix BR-5:	Returns - PIR	
Appendix BR-5A:	[Moved to Appendix CA-9 in April 2012]	04/2012
Appendix BR-6:	Report -- Board and Committee Meetings	04/2013
Appendix BR-7:	Quarterly Report on Overseas Banking Subsidiaries and Branches	07/2014
Appendix BR-9:	Agreed Upon Procedures Report	01/2009
Appendix BR-10:	Report – Exposures to Connected Counterparties	07/2012
Appendix BR-11:	Guidelines for Completion of Exposures to Connected Counterparties	07/2012
Appendix BR-12:	Appointed Experts Report	10/2011
Appendix BR-14:	Details of Remuneration Paid	01/2014
Appendix BR-15:	Details of Remuneration for Top 12 Employees	01/2014
Appendix BR-16:	Eligible Accounts Report for the Deposits/Unrestricted Investment Accounts Protection Scheme	04/2014
Appendix BR-17:	Instructions for Completion of the Eligible Accounts Report for the Deposits/Unrestricted Investment Accounts Protection Scheme	04/2014
Appendix BR-18:	Requirements for Report on Private Placements	04/2014
Appendix BR-19:	Large Exposures Report	07/2014



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-A:</b>	<b>Introduction</b>

## BR-A-1 Purpose

### *Executive Summary*

- BR-A.1.1 The purpose of this Module is to set out the Central Bank of Bahrain's ('CBB') reporting requirements applicable to the banks as part of the CBB's ongoing supervision activities.
- BR-A.1.2 This Module provides support for certain other parts of the Rulebook, mainly:
- (a) Principles of Business;
  - (b) Public Disclosure;
  - (c) Credit Risk Management;
  - (d) Operational Risk Management;
  - (e) Financial Crime;
  - (f) Capital Adequacy;
  - (g) High-level Controls;
  - (h) Business and Market Conduct;
  - (i) Enforcement; and
  - (j) Audit Firms.
- BR-A.1.3 Unless otherwise stated, all reports referred to in this Module should be addressed to Islamic Financial Institutions Supervision Directorate of the CBB.

### *Legal Basis*

**BR-A.1.4** This Module contains the CBB's Directive (as amended from time to time) relating to reporting requirements of the CBB 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 in this Module is applicable to Islamic bank licensees.

BR-A.1.5 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-A:	Introduction

## BR-A.2 Key Requirements

### *Regular Reporting – Annual Requirements*

**BR-A.2.1** All locally incorporated banks in the Kingdom of Bahrain are required to submit to the CBB their annual audited financial statements (in compliance with the provisions set out under Section BR-1.1) no later than 3 months from the end of the bank's financial year. In addition, these banks are also required to submit supplementary information (as listed under Section BR-1.1) to the CBB.

**BR-A.2.2** All Bahrain branches of foreign banks are required to submit to the CBB their annual audited financial statements (in compliance with the provisions set out under Section BR-1.2) no later than 3 months from the end of the date of such statements. In addition, these banks are also required to submit supplementary information (as listed under Section BR-1.2) to the CBB.

### *Regular Reporting – Semi-annual Requirements*

**BR-A.2.3** All Bahrain retail branches of foreign banks are required to submit to the CBB their Balance Sheet and Profit and Loss Accounts (in compliance with the provisions set out under Section BR-2.1) no later than the end of 2 months from the date of such statements.

### *Regular Reporting – Quarterly Requirements*

**BR-A.2.4** All locally incorporated banks in the Kingdom of Bahrain are required to submit to the CBB the following information on a quarterly basis:

- (a) PIR Forms and auditors reviews thereon (in accordance with the provisions set out under Section BR-3.1); and
- (b) Reviewed (unaudited) quarterly financial statements (in accordance with the provisions set out under Section BR-3.1).



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-A:	Introduction

## BR-A.2 Key Requirements (continued)

**BR-A.2.5** All Bahrain branches of foreign banks are required to submit to the CBB PIR Forms (in accordance with the provisions set out under Section BR-3.2).

**BR-A.2.6** [This Paragraph was deleted July 2011].

### *Regular Reporting – Monthly Requirements*

**BR-A.2.7** All banks licensed by the CBB in the Kingdom of Bahrain are required to submit to the CBB monthly statistical returns as required under Section BR-4.1).

**BR-A.2.7A** All banks licensed by the CBB in the Kingdom of Bahrain are required to report monthly to the CBB of all payments and transfers of funds amounting to BD 3,000 or above from accounts held by the bank for charitable organisations registered in the Kingdom of Bahrain (as required under Paragraphs BR-4.1.5 and FC-1.6.4).

**BR-A.2.8** All locally incorporated banks listed on the Bahrain Stock Exchange are required to report to the Capital Markets Supervision Directorate of the CBB, on a monthly basis, information relating to their Directors' interests in the shares of locally incorporated banks listed on the Bahrain Stock Exchange and submit exposures to connected counterparties to Banking Supervision Directorate (in accordance with the provisions set out under Section BR-4.3).

### *IIS Reporting Requirements*

**BR-A.2.9A** All banks licensed by the CBB are required to complete online non-financial information related to their institution by accessing the CBB's institutional information system (IIS) (as required under Section BR-4A.1).



<b>MODULE</b>	<b>BR: CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-A: Introduction</b>

## BR-A.2 Key Requirements (continued)

### *Ad-hoc Reporting and Notification*

#### BR-A.2.9

All banks licensed by the CBB in the Kingdom of Bahrain are required to notify and report to the CBB on the following matters in Section BR-5.1:

- (a) Large exposures;
- (b) Changes in strategy and/or corporate plan;
- (c) Changes in management;
- (d) Changes in dealing staff;
- (e) Appointment of a Compliance Manager/Officer;
- (f) Money laundering and suspicious transactions;
- (g) Promotion of financial products and services;
- (h) Authorised signatories;
- (i) Material losses through write-offs, fraud or other events; and
- (j) Material transfers of assets or liabilities.

#### BR-A.2.10

All locally incorporated banks are required to give the CBB immediate written notification of any actual breach by such bank of the minimum Risk Asset Ratio(s) (RAR) and to consult with the CBB prior to entering into any term borrowing arrangements (Section BR-5.2).

#### BR-A.2.11

All retail banks licensed by the CBB in the Kingdom of Bahrain are required to notify the CBB on the following matters:

- (a) Introduction of new and expanded customers and products (Section BR-5.3); and
- (b) Accounts for charity organisations (Section BR-5.3).



<b>MODULE</b>	<b>BR: CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-A: Introduction</b>

### **BR-A.3 Module History**

BR-A.3.1 This Module was first issued in January 2005 by the BMA as part of the initial launch of the CBB Rulebook Volume for Islamic banks. Any material changes that have subsequently been made to this Module are annotated with the calendar quarter date in which the change is made: UG-3 provides further details on Rulebook maintenance and version control.

BR-A.3.2 When the CBB replaced the BMA in September 2006, the provisions of this Module remained in force. Volume 2 was updated in October 2007 to reflect the switch to the CBB; however, new calendar quarter dates were only issued where the update necessitated changes to actual requirements.

BR-A.3.3 The most recent changes made to this Module are detailed in the table below:

#### *Summary of Changes*

Module Ref.	Change Date	Description of Changes
BR-4.2	01/07/06	Deletion of reserve requirements material (moved to BR 4.1).
BR-3.1.3	01/07/06	Hard copies of PIRI no longer required.
BR-4.1.3	01/07/06	Revised submission date for statistical returns.
BR-5.1.9	01/07/06	Minor changes reflecting change of Compliance Unit to Directorate.
BR-5.3.3	01/07/06	Deleted since duplicated BR-5.1.15.
BR-A.1	10/2007	New Rule BR-A.1.4 introduced categorising this Module as a Directive.
BR-6	10/2007	New Rule allowing access to premises per the provisions of the CBB Law.
BR-A.2, BR-1.1, BR-3.1, BR-4.1, BR-5.2	04/08	New reporting deadlines, new 7% reserves ratio, new requirement for checking of PIRs by external auditors, new guidance on reporting of write-offs.
BR-3.1.4	01/2009	New Agreed Upon Procedures report for PIR
BR-1.1	01/2009	Revised guidance concerning annual reports and annual audited financial statements
BR-4.1.4b	07/2009	The minimum daily cash reserve balance with the CBB brought back to 5% from 7%
BR-A.2.8 and BR-4.3.4	10/2009	New reporting arrangements for exposures to connected counterparties.
BR-A.2.9 and BR-5.1.16	04/2010	Approval for material transfers of assets or liabilities
BR-A.2.2	10/2010	Due date changed to 3 months to be consistent in the Rulebook.
BR-1.1.4 and BR-1.2.3	10/2010	Required information updated to be consistent in the Rulebook.
BR-1.2.5	10/2010	Changed to a Rule and wording amended to be consistent in the Rulebook.
BR-3.1.2	10/2010	Reference to legal entity deleted.
BR-3.1.3	10/2010	Wording changed to be consistent in the Rulebook.
BR-A.2.3 and 2.1.2	10/2010	Due date changed to 2 months to be consistent in the Rulebook.
BR-3.2	10/2010	New Section added to be consistent in the Rulebook.
BR-5.1	10/2010	Reference corrected.
BR	10/2010	Minor changes to formatting and spelling to be consistent in the Rulebook.
BR-A.1.4	01/2011	Clarified legal basis.
BR-A.2.9A	01/2011	Added reference to IIS Reporting Requirements
BR-4A	01/2011	Added new Chapter on other reporting requirements and refer to IIS reporting requirements.



<b>MODULE</b>	<b>BR: CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-A: Introduction</b>

## BR-A.3 Module History (continued)

### *Summary of Changes (continued)*

Module Ref.	Change Date	Description of Changes
BR-A.2.3	04/2011	Corrected order of wording.
BR-1.2.3	04/2011	Clarified due date.
BR-4.3.2	04/2011	Reference changed to licensed exchange.
BR-4.3.3	04/2011	Clarified reference to calendar days.
BR-5.1.1 and BR-5.12	04/2011	Clarified to whom Rules apply.
BR-5.1.7	04/2011	Clarified due date for notification.
BR-5.1.10	04/2011	Clarified reference to calendar days.
BR-A.2.6, BR-3.2 and BR-4.1	07/2011	Clarified that all statistical returns must be filed monthly.
BR-1.1.4(i)	07/2011	Deleted incorrect cross reference.
BR-3.1A.2	07/2011	Corrected reference for quarterly reporting by branches of foreign banks.
BR-5.1.16	07/2011	Regulation under consultation.
BR-5.1.17	07/2011	Added additional notification requirements.
BR-A.2.4 and BR-A.2.7A	10/2011	Key requirement amended to reflect current reporting requirement.
BR-A.2.11	10/2011	Clarified language to be in line with references in BR-5.3 and BC-4.7.
BR-1.1.3 and BR-2.2	10/2011	Clarification of existing requirement for the Agreed Upon Procedures Report and setting a deadline for the submission of the report.
BR-3.1.8 and BR-3.1A.6	10/2011	New requirements for reporting of complaints in accordance with BC-10.7.1.
BR-4.1.5 and BR-5.1.15	10/2011	Updated to reflect change in reporting requirement from ad-hoc to monthly.
BR-6	10/2011	Updated Chapter to be consistent with other Volumes of the Rulebook.
BR-6.1 and BR-6.4	01/2012	Added Sections to be consistent with other Volumes of the CBB Rulebook.
BR-6.5.21	01/2012	Corrected cross reference.
BR-A.2.9A	04/2012	Corrected cross reference.
BR-1.1.4 and BR-1.1.6	04/2012	Minor amendments.
BR-1.2.3(d) and BR-1.2.3A	04/2012	Amended due date of head office's annual audited financial statements.
BR-2.1.2	04/2012	Clarified what interim semi-annual statements are to be submitted by retail branches of foreign banks.
BR-A.2.10 and BR-5.2.5	04/2012	Requirement for locally incorporated banks to consult with CBB prior to entering into any term borrowing arrangements.
BR-5.1.4 and BR-5.1.5	04/2012	Paragraph BR-5.1.4 deleted and BR-5.1.5 amended as any changes to approved persons must receive CBB prior approval as per Paragraph LR-1A.1.23.
BR-5.3.4	04/2012	Added cross reference to Section BC-6.1 on installation or removal of off-site ATM in Bahrain.
BR-3.1.5	07/2012	Clarified the exemption status for requirements under Paragraph BR-3.1.4
BR-5.1.11	07/2012	Added requirement to provide details of what authorised signatories are authorised to sign for.
BR-4A.1.1	01/2013	Clarified deadline to update IIS.
BR-1.1.4(g) and BR-1.1.4A	04/2013	Clarified due date for report on board meetings to be in line with Paragraph HC-1.3.8.
BR-1.1.4(k)	04/2013	Added Subparagraph to include report on controllers as required under Paragraph GR-5.1.9.
BR-5.1.3	04/2013	Amended to clarify that CBB prior approval is required and also added requests for capital increases.
BR-4A.2	07/2013	Added new Section on reporting requirements for internet security measures.



<b>MODULE</b>	<b>BR: CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-A: Introduction</b>

### **BR-A.3 Module History (continued)**

#### *Summary of Changes (continued)*

Module Ref.	Change Date	Description of Changes
BR-1.1.4(f), BR-1.2.3(f), BR-1.3, BR-4A.3 and BR-4A.4	01/2014	New reporting requirements added related to sound remuneration practices for banks.
BR-5.1.7	01/2014	Added notification for any changes in financial instrument traders.
BR-1.4	04/2014	Added requirement for all retail banks to submit the eligible accounts report for the deposits/unrestricted investment accounts protection scheme.
BR-2.2	04/2014	Added requirement for semi-annual report on private placements issued or promoted by banks.
BR-5.1	04/2014	Amended notification requirements.
BR-5.2	04/2014	Clarified Rules applicable to Bahraini Islamic bank licensees pertaining to SPVs.
BR-5.3.5	04/2014	Added notification requirement where retail banks receive funds from an NGO where no valid fund collection license was submitted.
BR-1.3.1	07/2014	Changed due date for Details of remuneration paid report.
BR-3.1.6A	07/2014	Added quarterly reporting requirements regarding interim financial statements as per 22 January 2014 ad hoc communication letter.
BR-3.1.7A to BR-3.1.7C	07/2014	New quarterly reporting requirements added for details of large exposures and overseas subsidiaries and branches.
BR-4A.3.1	07/2014	Noted exception to requirement to submit report on the bank's compliance with the remuneration rules.

#### *Effective Date*

#### **BR-A.3.4**

The contents in this Module are effective from January 2005 or from the date of changes shown in BR-A.3.3.



<b>MODULE</b>	<b>BR: CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-1: Regular Reporting – Annual Requirements</b>

## BR-1.1 Locally Incorporated Banks

**BR-1.1.1** The content of this Section is applicable to all locally incorporated banks licensed by the CBB in the Kingdom of Bahrain.

### *Annual Audited Financial Statements*

**BR-1.1.2** All banks, referred to under Paragraph BR-1.1.1, are required to submit to the CBB their annual audited financial statements within 3 months of the date of such statements.

**BR-1.1.3** [This Paragraph was deleted in October 2010].

### *Supplementary Information*

**BR-1.1.4** In addition to the statements required in Paragraph BR-1.1.2, banks are also required to submit to the Central Bank the following information within 3 months of their financial year end:

- (a) The external auditor's management letter;
- (b) The audited accounts for the bank's ultimate holding company;
- (c) Audited financial statements of all subsidiaries (whether or not consolidated) and all overseas branches (including their accounting policies where these policies differ from those of the parent bank), along with their management letters;
- (d) The bank's group structure and the Bahrain's office internal organisation chart;
- (e) A list of non-performing and rescheduled loans (including name of customer, country, amount outstanding, net profit income for the year attributed to profit & loss and the reasons for attributing such profit to income);
- (f) A list of subsidiaries, associated companies and affiliates of the bank, together with details of their locations and the amount of participation by the bank in these entities;
- (g) A reconciliation statement between the audited financial statements and the relevant prudential returns and monthly statistical returns;
- (h) Any other supplementary information required by the CBB;
- (i) [This Subparagraph was deleted in April 2013 and replaced with Paragraph BR-1.1.4A];
- (j) An agreed upon procedures report concerning the completeness of disclosures required by Module PD, Section PD-1.3 and Chapter PD-6 (see also AU-3.1.3);
- (k) Report on controllers as required under Paragraph GR-5.1.9; and
- (l) The remuneration agreed upon procedures as required under Paragraph BR-4A.3.1.



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-1:</b>	<b>Regular Reporting – Annual Requirements</b>

## BR-1.1 Locally Incorporated Banks

### BR-1.1.4A

In accordance with Paragraph HC-1.3.8, banks must submit annually a report recording the board meetings held during the year. Such report must be submitted to the CBB, within 20 calendar days of the end of the reporting date, as an attachment to the year-end quarterly PIR. Reference should be made to Appendix BR-6, Board and Committee Meetings, under Part B/CBB Reporting Form of Volume 2 for a sample of such report.

#### *Compliance*

### BR-1.1.5

In addition to the provisions of Section AU-3.4, the audited financial statements or the annual report of these banks should be in full compliance with the disclosure requirements set out under Sections PD-1.3 and PD-1.4 (as applicable).

#### *Annual Report*

### BR-1.1.6

Banks are reminded that they must submit their full printed annual report to the CBB within 4 months of the end of their financial year (See PD-1.2.6).



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-1:	Regular Reporting – Annual Requirements

## BR-1.2 Branches of Foreign Banks

**BR-1.2.1** The content of this Section is applicable to branches (licensed by the CBB) of foreign banks.

### *Annual Audited Financial Statements*

**BR-1.2.2** All branches, referred to under Paragraph BR-1.2.1, are required to submit to the CBB their annual audited financial statements of their Bahrain operations within 3 months of the date of such statements.

### *Supplementary Information*

**BR-1.2.3** In addition to the statements required in Paragraph BR-1.2.2, branches are also required to submit to the CBB within 3 months of the date of their annual audited financial statements the following information:

- (a) The external auditor's management letter;
- (b) A list of non-performing and rescheduled loans (including name of customer, country, amount outstanding, net profit income for the year attributed to profit & loss and the reasons for attributing such profit to income);
- (c) A reconciliation statement between the audited financial statements and the relevant prudential returns and monthly statistical returns;
- (d) [This Subparagraph was replaced by Paragraph BR-1.2.3A in April 2012];
- (e) A statement of provisions as set out in Paragraph BR-1.2.4, below; and
- (f) The remuneration agreed upon procedures as required under Paragraph BR-4A.3.1.

**BR-1.2.3A** Branches of foreign banks are also required to submit to the CBB the head office's Annual Report within 1 month of the date of publication and distribution by the head office.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-1:	Regular Reporting – Annual Requirements

## BR-1.2 Branches of Foreign Banks (continued)

### *Provisions against Branch Assets in Head Office Books*

#### BR-1.2.4

If specific provisions against the assets of a branch are maintained in the books of its head office, the CBB should be advised on an annual basis and in writing (along with the information listed under Paragraph BR-1.2.3) of the amount of provisions set aside for the Bahrain branch's bad debts (and any other non-performing assets). For detailed guidance related to this subject, see Section CM-3.3.

### *Compliance*

#### BR-1.2.5

The annual accounts must be in full compliance with the Financial Accounting Standards issued by AAOIFI or where AAOIFI standards do not cover a subject, International Financial Reporting Standards (IFRS) must be used.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-1:	Regular Reporting – Annual Requirements

### BR-1.3 All Banks

#### BR-1.3.1

Banks must provide to the CBB details of total remuneration including the mix of fixed and variable remuneration as per Appendix BR-14. The report must be submitted annually and must be provided within **3** months of the financial year end.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-1:	Regular Reporting – Annual Requirements

#### BR-1.4 All Retail Banks

##### BR-1.4.1

All Islamic retail banks must submit to the CBB within two months of the financial year end, the eligible accounts report for the deposits protection scheme (Appendix BR-16) in accordance with the requirements of Paragraph CP-2.3.4B. Instructions for the completion of the report are included under Appendix BR-17.

##### BR-1.4.2

The report referred to under Paragraph BR-1.4.1 must be reviewed by the Islamic retail bank's external auditor to confirm the accuracy of the data prior to its submission to the CBB (see Section AU-3.8).



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-2:	Regular Reporting – Semi-annual (Interim) Requirements

## BR-2.1 Retail Branches of Foreign Banks

**BR-2.1.1** The content of this Section is applicable only to retail branches (licensed by the CBB) of foreign banks.

### *Financial Information*

**BR-2.1.2** Branches (referred to under Paragraph BR-2.1.1) are required to submit to the CBB their reviewed semi-annual (interim) financial statements (in the same format as their Annual Audited Accounts) for their Bahrain operations within 2 months of the date of these statements.

### *Compliance*

**BR-2.1.3** The statements mentioned under Paragraph BR-2.1.2 should be in compliance with the requirements set out under Section PD-2.1.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-2:	Regular Reporting – Semi-annual (Interim) Requirements

## BR-2.2 Locally Incorporated Banks

**BR-2.2.1** The content of this Section is applicable to all locally incorporated banks licensed by the CBB in the Kingdom of Bahrain.

### *Compliance with module PD*

**BR-2.2.2** The financial statements mentioned under Paragraph BR-3.1.6 should be in compliance with the requirements set out under Section PD-3.1.

**BR-2.2.3** In addition to the financial statements required in Paragraph BR-3.1.6, banks are also required to submit to the CBB the following information within two months of the end of the half-year:

- (a) A copy of the disclosures required by Paragraph PD-3.1.6; and
- (b) An agreed-upon procedures report concerning the completeness of disclosures required by Paragraph PD-3.1.6 (see also AU-3.1.4).

### *Report on Private Placements*

**BR-2.2.4** When acting as an issuer, promoter or manager of a private placement of securities, Bahraini Islamic bank licensees must provide on a semi-annual basis to investors and the CBB a progress report on the private placement. The semi-annual reports are to be provided as of 30<sup>th</sup> June and 31<sup>st</sup> December and must be submitted to the investors and the CBB within one month of the reporting period.

**BR-2.2.5** The reports referred to in Paragraph BR-2.2.4 are to be issued following the issuance or distribution of a PPM for the solicitation of funds from investors.

BR-2.2.6 The requirements for the report on private placements are in addition to any requirements outlined in Module OFS (Offering of Securities) under Volume 6 (Capital Markets).

BR-2.2.7 Bahraini Islamic bank licensees may opt to issue the required report on a more frequent basis.

**BR-2.2.8** The report required under Paragraph BR-2.2.4 must be issued for private equity purchases of existing companies as well as for real estate and other projects under development and must follow the requirements of Appendix BR-18 under Part B of Volume 2.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-3:	Regular Reporting – Quarterly Requirements

## BR-3.1 Locally Incorporated Banks

**BR-3.1.1** The content of this Section is applicable to all locally incorporated banks licensed by the CBB in the Kingdom of Bahrain.

### *Prudential Information Returns for Islamic Banks (PIRI)*

**BR-3.1.2** All banks, referred to under Paragraph BR-3.1.1, must complete PIRI forms (see Appendix BR-5), on a quarterly basis. This form is intended to be a financial report of the bank. Banks should therefore include on it all assets and liabilities of their head office and their branches in Bahrain and abroad and subsidiaries where applicable. Separate figures in respect of the head office or ‘Bahrain operations’ are not required.

**BR-3.1.3** The forms referred to under Paragraph BR-3.1.2 must be submitted to the CBB on a quarterly basis within 20 calendar days of the end of the reporting date.

**BR-3.1.4** The CBB requires all banks to request their external auditor to conduct a review of the prudential returns on a quarterly basis (see also Sections CA-1.5 and AU-3.6 for fuller details). The results of such review (in the form of an Agreed Upon Procedures report as shown in Appendix BR-9) should be submitted to the CBB no later than 2 months from the end of the subject quarter. A bank may apply for exemption from this requirement provided that it meets the criteria set out under Paragraph BR-3.1.5 below.

BR-3.1.5 Banks which demonstrate to the satisfaction of the CBB that they have fulfilled all of the CBB’s requirements with regard to Prudential Returns for at least two consecutive quarters may apply (in writing) to the Central Bank for an exemption from the review procedure set out in Paragraph BR-3.1.4 above. Such exemption may be withdrawn by the CBB at any time, should errors be detected.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-3:	Regular Reporting – Quarterly Requirements

## BR-3.1 Locally Incorporated Banks (continued)

### *Financial Information*

**BR-3.1.6** All banks, referred to under Paragraph BR-3.1.1, should submit their reviewed (unaudited) quarterly financial statements to the CBB within 2 months from the statement date.

**BR-3.1.6A** All Bahraini Islamic bank licensees must submit to the CBB at least one week prior to the intended publication date and before their board of directors' meeting to discuss the interim financial statements, the following documents:

- (a) Draft interim financial statements; and
- (b) The quarterly financial review in accordance with the prescribed format of the CBB.

### *Compliance*

**BR-3.1.7** The statements mentioned under Paragraph BR-3.1.6 should be in compliance with the requirements set out under Section PD-3.1.

### *Large Exposures*

**BR-3.1.7A** All Bahraini Islamic bank licensees must submit to the CBB details of their large exposures in accordance with Appendix BR-19. This report must be submitted to the CBB within 20 calendar days of the end of the reporting date.

### *Overseas Banking Subsidiaries and Branches*

**BR-3.1.7B** All Bahraini Islamic bank licensees must submit to the CBB details of their overseas financial subsidiaries and branches in accordance with Appendix BR-7. This report must be submitted to the CBB within one month of the end of the relevant quarter.

### *Non-Banking Subsidiaries*

**BR-3.1.7C** All Bahraini Islamic bank licensees must submit to the CBB reviewed statement of financial position and income statement of their non-banking subsidiaries. If reviewed statements are unavailable, management accounts will be accepted by the CBB. These statements are to be submitted within one month of the end of the relevant quarter.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-3:	Regular Reporting – Quarterly Requirements

## BR-3.1 Locally Incorporated Banks (continued)

### *Reporting of Complaints*

#### BR-3.1.8

In accordance with Paragraph BC-10.7.1, all banks must submit to the CBB Compliance Directorate, 20 days after the end of the quarter, a report on complaints.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-3:	Regular Reporting – Quarterly Requirements

## BR-3.1A Branches of Foreign Banks

**BR-3.1A.1** The content of this Section is applicable to branches (licensed by the CBB) of foreign banks.

### *Prudential Information Returns*

**BR-3.1A.2** All branches, referred to under Paragraph BR-3.1A.1, are required by the CBB to complete PIR forms (see Appendix BR-5).

**BR-3.1A.3** These should be submitted to the CBB no later than 20 calendar days from the end of the said quarter.

**BR-3.1A.4** The CBB requires all banks to request their external auditor to conduct a review of the prudential returns on a quarterly basis. The results of such review (in the form of a return review report) should be submitted to the CBB no later than 2 months from the end of the subject quarter. A bank may apply for exemption from this requirement provided that it meets the criteria set out under Paragraph BR-3.1A.5 below.

**BR-3.1A.5** Banks which demonstrate to the satisfaction of the CBB that they have fulfilled all of the CBB's requirements with regard to Prudential Returns for at least two consecutive quarters may apply (in writing) to the CBB for an exemption from the review procedure set out in Paragraph BR-3.1A.4 above.

### *Reporting of Complaints*

**BR-3.1A.6** In accordance with Paragraph BC-10.7.1, all banks must submit to the CBB Compliance Directorate, 20 days after the end of the quarter, a report on complaints.



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-3:</b>	<b>Regular Reporting – Quarterly Requirements</b>

**BR-3.2** [This Section was deleted in July 2011].



MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-4: Regular Reporting – Monthly Requirements

## BR-4.1 All Licensed Banks

**BR-4.1.1** The content of this Section is applicable to all banks (or as stated otherwise) licensed by the CBB in the Kingdom of Bahrain.

### *Statistical Returns*

**BR-4.1.2** All banks, referred to under Paragraph BR-4.1.1, are required to submit to the CBB (Financial Stability Directorate) the following monthly statistical returns:

- (a) Form SR-1 – ‘Monthly Balance Sheet’;
- (b) Form SR-2 – ‘Monthly Classification of Deposits and Other Liabilities to Banks and Non-banks’;
- (c) Form SR-3 – ‘Monthly Balance Sheet by Country and Class of Customer’;
- (d) Form SR-4 – ‘Monthly Balance Sheet by Currency’;
- (e) Form SR-5 – ‘Monthly Classification of Loans and Advances to Domestic Non-banks’; and
- (f) Form SR-7 – ‘Monthly Classification of Assets’.

(For instructions relating to the completion of the above mentioned returns, refer to Appendix BR-1 and for returns forms refer to Appendix BR-2).

**BR-4.1.3** The returns included in Appendix BR-2 should be submitted to the CBB in electronic form (Excel spreadsheet) via email to [erdsr@cbb.gov.bh](mailto:erdsr@cbb.gov.bh) no later than the 10<sup>th</sup> of the month following the end of the relevant month. One printed copy should also be delivered to the Financial Stability Directorate by the same date.

### *Precious Metals and Commodities Returns*

**BR-4.1.4** [This Paragraph deleted with effect from 1 July 2006].



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-4:	Regular Reporting – Monthly Requirements

## BR-4.1 All Licensed Banks (continued)

### *Reserve Requirements*

**BR-4.1.4A** The Banking Services Directorate will calculate the reserve requirement of each Islamic bank licensee bank on a monthly basis using the figures reported in the monthly statistical report, Form SR-2 (see Rule BR-4.1.2 above) and will notify each bank of its required reserve (if any).

**BR-4.1.4B** The monthly reserve requirements will be calculated as 5% of the total of an Islamic bank licensee's BD non-bank funds (whether call or unrestricted investment accounts – see LR-2.5.10).

BR-4.1.4C Reserve requirements, because of their scope of coverage (cf. Rule BR-4.1.4b), generally only apply to retail banks. They may apply, however, to wholesale banks, if they undertake on-shore business (cf. Section LR-1.2).

### *Accounts for Charity Organisations*

**BR-4.1.5** All banks, referred to under Paragraph BR-4.1.1, must report to the CBB all payments and transfers of funds amounting to BD 3,000 or above (or equivalent in other currencies) from accounts held by the bank for charitable organisations registered in the Kingdom of Bahrain (also see Paragraph FC-1.6.4). Such report must include details of amount transferred, account name and number, and beneficiary (name and location).



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-4:</b>	<b>Regular Reporting – Monthly Requirements</b>

**BR-4.2 Full Commercial Banks [This Section deleted 07/2006]**



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-4:	Regular Reporting – Monthly Requirements

### BR-4.3 Locally Incorporated Banks

**BR-4.3.1** The content of this Section is only applicable to locally incorporated banks.

#### *Directors' Interests in the Shares of Locally Incorporated Banks Listed on the Bahrain Stock Exchange*

**BR-4.3.2** All locally incorporated banks listed on a licensed exchange are required to report to the Capital Markets Supervision Directorate of the CBB the following information, on a monthly basis, relating to their Directors:

- (a) The number and type of interests of each Director in the shares (i.e. whether by shareholding, options etc.) of all such banks in which the respective Directors have interests in and the rights associated with such interests;
- (b) The date on which, and manner in which, such interests were acquired or disposed of (as the case may be);
- (c) The acquisition price paid, or disposal price received, for such interests; and
- (d) The person(s) from, or to, whom the interests in such shares were acquired or disposed of (as the case may be).

**BR-4.3.3** The information required in Paragraph BR-4.3.2 above should be submitted to the CBB no later than 15 calendar days following the end of the relevant month.

#### *Exposures to Connected Counterparties*

**BR-4.3.4** All banks, referred to under Paragraph BR-4.3.1, are required to submit to the CBB their exposures to connected parties on a monthly basis on the fourth working day of the month.

(For instructions relating to the reporting of the above mentioned exposures, refer to Appendix BR-11 and for the concerned reporting forms refer to Appendix BR-10).



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-4A:</b>	<b>Other Reporting Requirements</b>

## BR-4A.1 IIS Reporting Requirements

### *Institutional Information System (IIS)*

#### BR-4A.1.1

All banks licensed by the CBB are required to complete online non-financial information related to their institution by accessing the CBB's institutional information system (IIS). Banks 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 bank must still access the IIS quarterly and confirm the information contained in the IIS. 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.

#### BR-4A.1.2

Banks failing to comply with the requirements of Paragraph BR-4A.1.1 or reporting inaccurate information are subject to financial penalties or other enforcement actions as outlined in Module (EN) Enforcement.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-4A:	Other Reporting Requirements

## BR-4A.2 Internet Security Measures

**BR-4A.2.1** In accordance with Section OM-6.2, **all** banks providing internet banking services must regularly test their systems against security breaches and submit the vulnerability assessment report to the CBB.

**BR-4A.2.2** The report referred to under Paragraph BR-4A.2.2 must be conducted in accordance with Section OM-6.2 and submitted to the CBB twice a year, within two months following the end of the month where the testing took place, i.e. for the June test, the report must be submitted at the latest by 31<sup>st</sup> August and for the December test, by 28<sup>th</sup> February.



MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-4A: Other Reporting Requirements

### BR-4A.3 Compliance with Remuneration Rules under Module HC

**BR-4A.3.1** Unless specifically excluded in accordance with Paragraph AU-3.7.3, every Islamic bank licensee must submit to the CBB within three months from the financial year-end, a report as to the bank's compliance with the remuneration Rules outlined in Chapter HC-5.

**BR-4A.3.1A** Where a Islamic bank licensee is not required to provide a report under Paragraph BR-4A.3.1, it must submit a notification to the CBB once it has been determined that it is excluded to file such report as per Paragraph AU-3.7.3.

**BR-4A.3.2** The report required under Paragraph BR-4A.3.1 must be prepared by the bank's external auditor, in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements.

BR-4A.3.3 The format of the Auditor's Report required under Paragraph BR-4A.3.1 is included in Part B of the Rulebook as Appendix HC-(i), as part of the Supplementary Information.



<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-4A:</b>	<b>Other Reporting Requirements</b>

## BR-4A.4 Remuneration of Top 12 Employees

### BR-4A.4.1

Banks must complete Appendix BR-15, details of their top 12 highly remunerated employees annually for each financial year. This report is to be completed by the bank within two weeks from the end of the period covered and kept at the bank's premises and provided to the CBB, upon request.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-5:	Ad-hoc Reporting and Notification

## BR-5.1 All Licensed Banks

**BR-5.1.1** The content of this Section is applicable to all banks, except as otherwise mentioned, (licensed by the CBB) in the Kingdom of Bahrain.

### *Large Exposures*

**BR-5.1.2** Should any locally incorporated bank find that, for reasons outside its control or otherwise, it has an exposure to an individual counterparty (other than an exempt exposure) which results in it exceeding any of the limits set out under Chapter CM-4, this should be reported immediately to the CBB for its consideration, and action should be taken immediately to bring the exposure back within applicable limits as soon as possible.

**BR-5.1.3** [This Paragraph was moved to Section BR-5.2].

### *Current Management and Changes thereto*

**BR-5.1.4** [This Paragraph was deleted in April 2012].



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-5:	Ad-hoc Reporting and Notification

## BR-5.1 All Licensed Banks (continued)

### BR 5.1.5

The CBB must be notified of any changes to the positions mentioned under Paragraph LR-1A.1.2 that may occur from time to time subject to observing the requirements set out in Section LR-1A.1. (See also Paragraph LR-1A.1.22)

### BR-5.1.6

For detailed rules and guidance on prior notification of appointment and changes in management inventory, refer to Chapters HC-1 and LR-1A.

#### *Changes in Dealing Staff*

### BR-5.1.7

All banks should notify the CBB of the following events, within 3 weeks of their occurrence:

- (a) The appointment of a dealer or financial instrument trader, including promotion to Head of a Dealing function; and
- (b) The resignation, suspension, dismissal or departure from your institution for whatever reason of a dealer or financial instrument trader (including his/her transfer to other duties within your institution).

#### *Appointment of a Compliance Manager/Officer*

### BR-5.1.8

All banks must notify the CBB of the appointment of a compliance manager/officer (refer to Section LR-1A.1), and must submit the appointee's Curriculum Vitae to the CBB. The CBB's approval must be received by the bank before the appointment becomes final. The bank must outline how the compliance function fits into the bank's senior management reporting structure, and must give details of relevant reporting lines within the bank.

#### *Money Laundering and Suspicious Transactions*

### BR-5.1.9

The Money Laundering Reporting Officer (or his/her duly authorised delegate) must send a report to the Compliance Directorate of the CBB where he/she knows or has suspicions that a transaction might involve money laundering or terrorist financing, either due to the customer's economic standing or because it meets one of the examples of suspicious transactions described in Appendix FC-3.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-5:	Ad-hoc reporting and notification

## BR-5.1 All Licensed Banks (continued)

*Promotion of Financial Products and Services Offered in/from Bahrain by Mean of Incentives etc.*

### BR-5.1.10

The CBB should be sent copies of documentation relating to promotional schemes at least ten calendar days prior to their launch for information purposes. Refer to Chapter BC-1 for more details.

*Authorised Signatories*

### BR-5.1.11

In order to maintain an up-to-date record of authorised signatories of respective banks, the CBB requires all banks to submit to the banks' supervisory point of contact a list of specimen signatures (and changes to it from time to time) of the officials authorised to sign on behalf of the concerned bank, together with, where appropriate, details of what they are authorised to sign for.

*UN SCR 1373 (2001)*

### BR-5.1.12

The CBB requires all banks to notify it immediately of any act that might contravene the provisions of UN Security Council Resolution 1373 (2001). Banks should refer to Chapter FC-8 for full details of this requirement.

*Notification of Fraud or other Material Concerns*

### BR-5.1.13

All banks must report immediately to the CBB any frauds, either attempted or realised, or any well-founded concerns about the integrity of individual Directors or members of management. This obligation to disclose extends to individual Board members and members of management: i.e. if a Director or member of management has reasonable grounds to believe that information that should have been reported to the CBB has not, then they have a duty to report the matter personally to the CBB. All such cases shall be treated in the strictest confidence by the CBB.

### BR-5.1.14

All banks must report immediately to the CBB any material losses as soon as the bank becomes aware of them. This notification requirement is separate from notifications for loan write-offs (see BR 5.2.3) or frauds (see above), but refers to losses caused by external events (e.g. falls in stock markets) or internal control failures. In this context 'material' would mean: a loss which exceeds 5% of net earnings in a given quarter; or a loss which reduces the bank's capital adequacy by more than 1%; or a loss which reduces total assets by more than 1%.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-5:	Ad-hoc reporting and notification

## BR-5.1 All Licensed Banks (continued)

### *Accounts for Charity Organisations*

**BR-5.1.15** [This requirement was moved in October 2011 to Paragraph BR-4.1.5 as it is a monthly requirement].

### *Business Transfers*

**BR-5.1.16** All banks must refer to Section GR-4.1 on business transfer requirements.

### *Other Notifications*

**BR-5.1.17** Banks must inform the CBB, in writing, of the following:

- (a) Any material problems or changes encountered with an outsourcing provider (ref. OM-3.3.4);
- (b) Any proposed ownership changes (whether in terms of structure or identity of controllers) prior to the change taking place and any change in controllers as a result of circumstances outside the bank's knowledge and/or control (ref GR-5.1.7); and
- (c) Any dismissal or suspension of any staff in internal audit, risk management, AML, compliance function or internal Shari'a review of the bank. The notification must include the reason for the dismissal or suspension of such individual.

BR-5.1.17A Should the CBB have a cause for concern following its review of the notification referred to under Subparagraph BR-5.1.17(c), it may investigate the matter and should it establish the existence of any irregularity, misconduct or unfair decisions, it may take enforcement action on the bank, including an adverse action on the fit and proper status of the person(s) responsible.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-5:	Ad-hoc Reporting and Notification

## BR-5.2 Bahraini Islamic Banks

### BR-5.2.1

The content of this Section is applicable to all Bahraini Islamic bank licensees licensed by the CBB in the Kingdom of Bahrain.

#### *Capital Adequacy*

### BR-5.2.2

All banks, referred to under Paragraph BR-5.2.1, must give the CBB immediate written notification of any actual breach by such banks of the minimum Risk Asset Ratio(s) (RAR) in accordance with Section CA-A.3. Where such notification is given, the bank must also adhere to the additional notification and reporting requirements as set out under Section CA-A.3.

#### *Write-off of Credit Facility*

### BR-5.2.3

All banks, referred to under Paragraph BR-5.2.1, must notify the CBB of any write-off of a credit facility in excess of BD 100,000 (Bahraini Dinars One Hundred Thousand), or its equivalent in foreign currency and must obtain the CBB's prior approval for write-offs concerning certain parties connected to the concerned bank. See Section CM-6.1 for further details.

#### *Use of Behavioural Adjustments to Data Provided under Section E of PIRI*

### BR-5.2.4

Banks may in certain circumstances apply to the CBB to use behavioural adjustments (Estimates) to their contractual data provided under Section E of PIRI Forms (also see Section AU-3.5). Such application must be supported by data for a minimum period of two years and verified by the external auditor.

#### *Term Borrowing Commitments*

### BR-5.2.5

All banks must consult with the CBB before they enter into any term borrowing facilities or programs which have any restrictive covenants in relation to the capital or activities of the bank (such as the capital adequacy ratio, capital amount, leveraging, compliance with certain regulatory requirements, etc). For the sake of expediting the CBB's reaction to such consultations, banks must submit the draft term sheet of the facility to the Banking Supervision director at the CBB responsible for the supervision of the concerned bank, before committing themselves to the concerned facility (or renewing it).



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-5:	Ad-hoc Reporting and Notification

## BR-5.2 Bahraini Islamic Banks

### *Facilities Transferred to Qard Hassan*

#### BR-5.2.6

All banks, referred to under Paragraph BR-5.2.1, must obtain the CBB's prior approval of any transfer of any exposures to Qard Hassan in excess of BD100,000 or its equivalent in foreign currency ( see Paragraph CM-8.1.19). The prior approval requirement applies to both on-balance sheet and restricted investment account related exposures.

### *Capital Increases, Changes in Strategy and Establishment of Subsidiaries/SPVs*

#### BR-5.2.7

All Bahraini Islamic bank licensees must obtain the CBB's prior written approval for the opening of any new place of business either in the Kingdom of Bahrain or abroad (this would include the establishment or acquisition of a subsidiary, new branches or representative offices). Bahraini Islamic bank licensees should refer to Article 51 of the CBB Law 2006 for full details.

#### BR-5.2.8

All Bahraini Islamic bank licensees must obtain the CBB's prior written approval for any proposed capital increase in any related SPV and for all major changes (regardless of type and/or effect) to strategy or corporate plan prior to implementation (See also Paragraph HC-1.2.6).

#### BR-5.2.9

All Bahraini Islamic bank licensees must obtain the CBB's prior written approval if they intend to act as originator, sponsor or manager of a Special Purpose Vehicle (SPV), or participate in other ways with SPVs as outlined in Section PCD-4.1.



MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-5:	Ad-hoc Reporting and Notification

### BR-5.3 Retail Banks

**BR-5.3.1** The content of this Section is only applicable to retail banks licensed by the CBB in the Kingdom of Bahrain.

#### *Introduction of New or Expanded Customer Products and Facilities*

**BR-5.3.2** All banks, referred to under Paragraph BR-5.3.1, should notify the CBB of information relating to any new or expanded customer products and facilities in accordance with the requirements set out under Section BC-4.6.

BR-5.3.3 [This Paragraph deleted July 2006.]

#### *Installation or Removal of Off-site ATM in Bahrain*

**BR-5.3.4** In accordance with Section BC-6.1, all banks referred to under Paragraph BR-5.3.1, must seek the CBB's prior approval if it wishes to install or remove an off-site ATM in Bahrain.

#### *Funds Received from NGO where no Valid Funds Collection License*

**BR-5.3.5** In accordance with Paragraph BC-4.11.3, retail banks must notify the CBB in instances where donated funds have been received by an NGO and no valid funds collection license was submitted.



MODULE	BR:	<b>CBB Reporting Requirements</b>
CHAPTER	BR-6:	<b>Information Gathering by the CBB</b>

## BR-6.1 Power to Request Information

### BR-6.1.1

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

### BR-6.1.2

Banks 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 banks 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.

### BR-6.1.3

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*

### BR-6.1.4

The CBB may ask banks 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 bank, pass on to those supervisors or agencies information that it already has in its possession.



<b>MODULE</b>	<b>BR: CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-6: Information Gathering by the CBB</b>

## BR-6.2 Access to Premises

### BR-6.2.1

In accordance with Article 114 of the CBB Law, all licensed banks must permit representatives of the CBB, or appointed experts, 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.

### BR-6.2.2

A bank must take reasonable steps to ensure that its agents and providers under outsourcing arrangements permit such access to their business premises, to the CBB.

### BR-6.2.3

A bank 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 bank.

### BR-6.2.4

The cooperation that banks are expected to procure from such providers is similar to that expected of banks themselves.



<b>MODULE</b>	<b>BR: CBB Reporting Requirements</b>
<b>CHAPTER</b>	<b>BR-6: Information Gathering by the CBB</b>

### BR-6.3 Accuracy of Information

**BR-6.3.1** Banks must take reasonable steps to ensure that all information they give 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 bank; and
- (b) Complete, in that it should include anything of which the CBB would reasonably expect notice.

**BR-6.3.2** If a bank 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.

**BR-6.3.3** If the information in Paragraph BR-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.



<b>MODULE</b>	<b>BR: CBB Reporting</b>
<b>CHAPTER</b>	<b>BR-6: Information Gathering by the CBB</b>

## BR-6.4 Methods of Information Gathering

BR-6.4.1 The CBB uses various methods of information gathering on its own initiative which require the cooperation of banks:

- (a) Representatives of the CBB may make onsite visits at the premises of the bank. These visits may be made on a regular basis, on a sample basis, for special purposes such as theme visits (looking at a particular issue across a range of banks), or when the CBB has a particular reason for visiting a bank;
- (b) Appointees of the CBB may also make onsite visits at the premises of the bank. 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 BR-6.5).
- (c) The CBB may request the bank 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 banks to submit various documents or notifications, as per Chapter BR-5, in the ordinary course of their business such as financial reports or on the happening of a particular event in relation to the bank such as a change in control.

BR-6.4.2 When seeking meetings with a bank or access to the bank's premises, the CBB or the CBB appointee needs to have access to a bank'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 bank's premises without prior notice. While such visits are not customary, the prospect of unannounced visits is intended to encourage banks to comply at all times with the requirements and standards imposed by the CBB as per legislation and Volume 1 of the CBB Rulebook.

BR-6.4.3 The CBB considers that a bank 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 bank'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 bank's possession or control as reasonably requested;



<b>MODULE</b>	<b>BR: CBB Reporting</b>
<b>CHAPTER</b>	<b>BR-6: Information Gathering by the CBB</b>

#### **BR-6.4 Methods of Information Gathering (continued)**

- (d) Print information in the bank'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 bank at the bank'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.

BR-6.4.4 The CBB considers that a bank should take reasonable steps to ensure that the following persons act in the manner set out in Paragraph BR-6.4.3:

- (a) Its employees; and
- (b) Any other members of its group and their employees.

BR-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.



MODULE	BR:	<b>CBB Reporting</b>
CHAPTER	BR-6:	<b>Information Gathering by the CBB</b>

## BR-6.5 Role of the Appointed Expert

### *Introduction*

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

BR-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-7.1.1). These Articles empower the CBB to assign some of its officials or others to inspect or conduct investigations of banks.

BR-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.

BR-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.

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

**BR-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.

BR-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.

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



MODULE	BR:	CBB Reporting
CHAPTER	BR-6:	Information Gathering by the CBB

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

**BR-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 bank'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).

**BR-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 bank (i.e. create a conflict of interest).

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

### *The Required Report*

**BR-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 bank'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.

**BR-6.5.13** Appointed experts will be required to form an opinion on whether, during the period examined, the bank 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.

BR-6.5.14 The appointed experts' report should follow the format set out in Appendix BR-12, in part B of the CBB Rulebook.

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



MODULE	BR:	CBB Reporting
CHAPTER	BR-6:	Information Gathering by the CBB

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

**BR-6.5.16** Where the report is qualified by exception, the report must clearly set out the risks which the bank 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.

**BR-6.5.17** If the appointed experts conclude, after discussing the matter with the bank, 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.

**BR-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 bank has committed to resolving any issues highlighted by the report), to the CBB within the timeframe applicable.

### *Other Notifications to the CBB*

**BR-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 bank (see Module LR), 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 bank, 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 bank. Notwithstanding the above, it is primarily the bank's responsibility to report such matters to the CBB.

BR-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.

BR-6.5.21 If appointed experts decide to communicate directly with the CBB in the circumstances set out in Paragraph BR-6.5.19, they may wish to consider whether the matter should be reported at an appropriate senior level in the bank at the same time and whether an appropriate senior representative of the bank should be invited to attend the meeting with the CBB.



MODULE	BR:	CBB Reporting
CHAPTER	BR-6:	Information Gathering by the CBB

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

### *Permitted Disclosure by the CBB*

#### BR-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*

BR-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 bank and the appointed experts. This meeting will provide an opportunity to discuss the appointed experts' examination of, and report on, the bank.



# **PUBLIC DISCLOSURE REQUIREMENTS MODULE**



<b>MODULE</b>	<b>PD (Public Disclosure)</b>
<b>Table of Contents</b>	

		<b>Date Last Changed</b>
<b>PD-A</b>	<b>Introduction</b>	
	PD-A.1 Purpose	07/2012
	PD-A.2 General Requirements	07/2012
	PD-A.3 Proprietary and Confidential Information	10/2010
	PD-A.4 Module History	07/2014
<b>PD-B</b>	<b>General Guidance and Best Practice</b>	
	PD-B.1 Guidance Provided by International Bodies	10/2010
<b>PD-1</b>	<b>Annual Disclosure Requirements</b>	
	PD-1.1 Introduction	04/2012
	PD-1.2 Requirements for Annual Audited Financial Statements and Annual Report for Locally Incorporated Banks	04/2012
	PD-1.2A Requirements for Annual Audited Financial Statements for Retail Branches of Foreign Banks	04/2012
	PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks	07/2014
	PD-1.4 Additional Disclosures in the Annual Audited Financial Statements of Banks Listed on a Licensed Exchange	01/2011
	PD-1.5 Press Release on Annual Results	10/2011
<b>PD-2</b>	<b>Semi Annual (Interim) Disclosure Requirements for Branches</b>	
	PD-2.1 Disclosures by Branches of Foreign Banks	04/2012
<b>PD-3</b>	<b>Quarterly Disclosure Requirements</b>	
	PD-3.1 Publication of Reviewed (unaudited) Quarterly Financial Statements for Locally Incorporated Banks	10/2011
	PD-3.2 Special Arrangements for Newly-Established Banks	04/2008
<b>PD-4</b>	<b>Other Public Disclosure Requirements</b>	
	PD-4.1 Introduction	10/2010
	PD-4.2 Disclosure of Key Terms Relating to a Consumer Finance Agreement [This Section was deleted in October 2012 and is now covered in Section BC-4.2]	10/2012
	PD-4.3 Disclosure to Commercial Customers of Charges on Short-term Financing Facilities	10/2012
	PD-4.4 Disclosure Relating to Deposit Protection Scheme	10/2010
	PD-4.5 Press Releases Concerning Financial Statements	07/2012



**MODULE**

**PD (Public Disclosure)**

**Table of Contents (continued)**

**Date Last  
Changed**

<b>PD-5</b>	<b>Public Disclosure via the Internet</b>	
PD-5.1	Publication and Disclosure of Financial Results	04/2012
<b>PD-6</b>	<b>Corporate Governance Disclosure to Shareholders</b>	01/2012
PD-6.1	General Requirements	



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-A: Introduction

## PD-A.1 Purpose

PD-A.1.1 The purpose of this Module is to set out the detailed qualitative and quantitative public disclosure requirements and disclosure to shareholders that banks should adhere to in order to enhance corporate governance and financial transparency through better practice in public disclosure. Such disclosures also help to protect customers and facilitate market discipline.

PD-A.1.2 This module provides support for certain other parts of the Rulebook, namely:

- (a) Principles of Business;
- (b) High-level Controls;
- (c) Audit Firms;
- (d) CBB Reporting Requirements;
- (e) Capital Adequacy
- (f) Business and Market Conduct; and
- (g) Risk Management (i.e. market, credit, liquidity and operational).

PD-A.1.3 This Module also provides support for certain aspects relating to disclosure requirements stipulated in the Central Bank of Bahrain and Financial Institutions Law (Decree No. 64 of 2006) and the Bahrain Commercial Companies Law (as amended).

PD-A.1.4 The Central Bank of Bahrain's ('CBB') disclosure requirements (in this Module) vary according to whether the concerned bank is locally incorporated (PD-1 and PD-3) or is a branch of a foreign bank (PD-2).

### *Legal Basis*

**PD-A.1.5** This Module contains the CBB's Directive (as amended from time to time) relating to public disclosure and disclosure to shareholders and is issued pursuant to the powers available to the CBB under Article 38 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law'). It also incorporates the requirements of Article 62 of the CBB Law with respect to the publication of financial statements. The Directive in this Module is applicable to all locally incorporated Islamic bank licensees (and branches of foreign banks where applicable).

PD-A.1.6 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-A:	Introduction

## PD-A.2 General Requirements

**PD-A.2.1** All locally incorporated Islamic banks must have a formal disclosure policy as part of their overall communications strategy approved by the Board of Directors (and supported by documented procedures) that addresses the disclosures that the bank makes and the internal controls over the disclosure process. In addition, all locally incorporated Islamic banks must carry out an annual review of the validity of their disclosures (in terms of scope and accuracy) as outlined in Sections BR-5.2 and AU-3.2.

**PD-A.2.2** All locally incorporated Islamic banks are required to publish their annual audited and reviewed quarterly financial statements per the rules set out in this Module and the CBB Law, Bahrain Commercial Companies Law (as amended), the Rulebook of the licensed exchange and Volume 6 (Capital Markets), where applicable. Such financial statements must be prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). When there are no specific accounting standards under AAOIFI, Islamic banks must use International Financial Reporting Standards (IFRS). Listed banks must refer to Paragraph PD-A.2.6.

**PD-A.2.3** The CBB requires that each bank maintain an up-to-date checklist of all applicable AAOIFI standards and IFRS (where applicable) and also the disclosure requirements set out in this Module for full compliance purposes. Such checklists should be part of the bank's public disclosure procedures.

**PD-A.2.4** The disclosure requirements specified in Chapters 1, 3 and 6 of this Module, which are in addition to those required by applicable accounting standards, must be reviewed by the bank's external auditor based upon agreed upon procedures (unless AAOIFI Standards or IFRS require that the concerned disclosures are audited). See also BR-1.1, BR-2.2 and AU-3.1 for more details.

PD-A.2.4A The disclosure requirements in this Module may be presented as an accompanying document or appendices to the Annual Report or in the Notes to the Financial Statements at the discretion of the concerned bank.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-A: Introduction

## PD-A.2 General Requirements (continued)

### PD-A.2.5

The external auditor must also review other statements in the Annual Report (such as the Chairman's report) to ensure that such statements are consistent with the audited financial statements and the disclosures required by this Module. All qualitative or descriptive disclosures in the Annual Report must be based upon, and be reflective of, the facts and actual practice employed by the bank (and be subject to the above review by the bank's external auditor).

### PD-A.2.6

If situations arise where disclosures required in this Module are in conflict with those required under AAOIFI Standards and IFRS and/or any listing requirements issued by the CBB or a licensed exchange, listed banks should first follow the CBB's requirements as contained in Volume 6 (Capital Markets). Unlisted banks should first follow AAOIFI standards. In such situations, banks should explain any material differences between the accounting or other disclosures and the disclosure required in this Module. This explanation does not have to take the form of a line by line reconciliation, but should provide stakeholders with sufficient detail to make an objective assessment of the bank's financial and operational health. Moreover, a formal notification to the CBB is required in such a situation.

### PD-A.2.7

The bank should decide which disclosures are relevant for it based on the materiality concept and subject to the concurrence of the bank's external auditor. For the bank's guidance, information would be regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

### PD-A.2.8

Non-compliance with these disclosure requirements could lead to an additional capital requirement such as not allowing the subject bank to apply a lower weighting for a particular portfolio or increasing a particular risk weight for a specific portfolio(s), and/or a fine imposed by the CBB.

### PD-A.2.9

The disclosures referred to in this Module must be made at the top consolidated level of a banking group (i.e. at the level of the parent bank in Bahrain). Disclosures related to individual banks within a banking group will be required where listing requirements or differing accounting requirements necessitate such separate disclosure.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-A:	Introduction

## PD-A.3 Proprietary and Confidential Information

PD-A.3.1 Proprietary information encompasses information (for example on products or systems), that if shared with competitors would render a licensed bank's investment in these products/systems less valuable, and hence would undermine its competitive position. Information about customers is often confidential, in that it is provided under the terms of a legal agreement or counterparty relationship. This has an impact on what banks should reveal in terms of information about their customer base, as well as details on their internal arrangements, for instance methodologies used, parameter estimates, data etc.

**PD-A.3.2** If a bank considers that disclosure of certain information required in Section PD-1.3 may prejudice seriously its position by making public information that is either proprietary or confidential in nature, it may not disclose those specific items, subject to the prior approval of the CBB. In such situations, the CBB may require the disclosure of more general information about the subject matter of the requirement, together with the fact that, and the reason why, the specific items of information have not been disclosed. This limited exemption is not intended to conflict with the disclosure requirements under IFRS or AAOIFI.



<b>MODULE</b>	<b>PD: Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-A: Introduction</b>

## PD-A.4 Module History

PD-A.4.1 This module was first issued in January 2005 as part of the Islamic principles volume. All regulations in this volume have been effective since this date. 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.

PD-A.4.2 The most recent changes made to this Module are detailed in the table below:

Module Ref.	Change Date	Description of Changes
PD 2.1.5 & 3.1.7	Jan 2006	Revised notification for submission of accounts to the Agency
PD 4.3	July 2006	Amendment to disclosure of charges requirements
PD-A, PD-B, PD-1 & PD-3	Apr 2008	New Disclosures required by Basel II and IFSB
PD-1.2.6	Apr 2010	Clarification of text re annual report submission
PD	10/2010	Various minor amendments to ensure consistency in CBB Rulebook.
PD-1.3.10	10/2010	Additional items for disclosure added to be in line with Corporate Governance Code.
PD-6	10/2010	New Chapter added to deal with corporate governance disclosure to shareholders.
PD-A.1.5	01/2011	Clarified legal basis.
PD-A.2.2, PD-A.2.6, PD-1.3.43 and PD-1.4.1	01/2011	Changes made to reflect new reference to licensed exchange.
PD-1.1.1	04/2011	Corrected reference to the Rulebook of the licensed exchange.
PD-1.2, PD-2.1.4, PD-2.1.5, PD-3.1.4, and PD-5.1.1	04/2011	Clarified requirements for due date.
PD-A.2.2, PD-A.2.6 and PD-1.3.43 (c).	10/2011	Reference added to Volume 6 (Capital Markets).
PD-A.2.4	10/2011	Clarification of existing requirement for the Agreed Upon Procedures Report and setting a deadline for the submission of the report.
PD-1.5	10/2011	Added a Section on Press Release on Annual Results.
PD-1.3.23 (j) and PD-3.1.3	10/2011	Amended Subparagraph to be consistent with other Volumes of the Rulebook.
PD-1.3.10	01/2012	Amended corporate governance disclosure in annual report.
PD-6.1.1	01/2012	Amended disclosure requirements to shareholders.
PD-1.1.1	04/2012	Expanded the scope of this Chapter to also apply to retail branches of foreign banks.
PD-1.2.3	04/2012	Clarified financial statements that must be disclosed by locally incorporated banks.
PD-1.2A	04/2012	Added requirements for annual audited financial statements of retail branches of foreign banks.
PD-1.3.10 (x)	04/2012	Clarified nature of disclosure in relation to Module HC.
PD-2.1.2	04/2012	Clarified what interim semi-annual statements are to be disclosed by retail branches of foreign banks.
PD-3.1.4	04/2012	Clarified quarterly disclosure requirements.
PD-3.1.6	04/2012	Clarified deadline for disclosing additional semi-annual disclosures.
PD-5.1.1	04/2012	Paragraph deleted as it repeats contents of Paragraph PD-3.1.4.
PD-A.1.5	07/2012	Added reference to Article 62 of the CBB Law.
PD-A.2.6	07/2012	Clarified priority of Rule to follow where there is a conflict.
PD-1.3.10	07/2012	Clarified content of disclosure on corporate governance.
PD-4.5	07/2012	New Section added on press release concerning financial statements.



<b>MODULE</b>	<b>PD: Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-A: Introduction</b>

## PD-A.4 Module History (continued)

PD-A.4.2 (continued)

Module Ref.	Change Date	Description of Changes
PD-1.3.10	10/2012	Amended the requirement for banks to maintain a website under (bb).
PD-4.2	10/2012	This Section was deleted and requirements are now included in Section BC-4.2.
PD-4.3	10/2012	Clarified title of this Section.
PD-1.3.10 to PD-1.3.10F	01/2014	Additional disclosure requirements related to sound remuneration practices.
PD-1.3.10C, PD-1.3.10F and PD-1.3.10G	07/2014	Amended disclosure requirements pertaining to remuneration.

### *Effective Date*

**PD-A.4.3**

The contents in this Module are effective January 2005 or from the effective date of the summary of changes as shown above in the above table. Changes to Chapter PD-6 are effective 1<sup>st</sup> January 2011.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-B: General Guidance and Best Practice

## PD-B.1 Guidance Provided by International Bodies

PD-B.1.1 This Chapter provides general guidance on public disclosure requirements.

### *Basel Committee on Banking Supervision: Various papers*

PD-B.1.2 The papers below set best practice standards and are to be taken as guidance by licensees in order to improve public disclosure practices:

- ‘Enhancing Bank Transparency’ – September 1998 (see [www.bis.org/publ/bcbs41.pdf](http://www.bis.org/publ/bcbs41.pdf))
- ‘Sound Practices for Loan Accounting and Disclosure’ – July 1999 (see [www.bis.org/publ/bcbs55.pdf](http://www.bis.org/publ/bcbs55.pdf))
- ‘Best Practices for Credit Risk Disclosure’ – September 2000 (see [www.bis.org/publ/bcbs74.pdf](http://www.bis.org/publ/bcbs74.pdf))
- Basel II The Third Pillar – Market Discipline – June 2006.

PD-B.1.3 In addition, the Basel Committee, in conjunction with the International Organization of Securities Commissions (IOSCO) has issued the following papers that relate to the subject matter of this Module:

- ‘Recommendations for Public Disclosure of Trading and Derivatives Activities of Banks and Securities Firms’ – October 1999 (see [www.bis.org/publ/bcbs48.pdf](http://www.bis.org/publ/bcbs48.pdf))
- ‘Intra-group Transactions and Exposure Principles’ – December 1999 (see [www.bis.org/publ/bcbs62.pdf](http://www.bis.org/publ/bcbs62.pdf))
- ‘Risk Concentrations Principles’ – December 1999 (see [www.bis.org/publ/bcbs43.pdf](http://www.bis.org/publ/bcbs43.pdf))

PD-B.1.4 The Islamic Financial Services Board has issued the following paper which makes recommended disclosures for Islamic banks:

- ‘Disclosures to promote transparency and market discipline for institutions offering Islamic financial services – December 2006 (see [www.ifsb.org/](http://www.ifsb.org/))



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

## PD-1.1 Introduction

PD-1.1.1 The purpose of this Chapter is to set out the CBB's requirements relating to the disclosure of information in the annual audited financial statements ('Annual Report') of locally incorporated banks as well as for retail branches of foreign banks. This Chapter also refers to the Bahrain Commercial Companies Law (as amended) and the Rulebook of the licensed exchange relating to public disclosure and reporting requirements.

### PD-1.1.2

For the purpose of this Chapter, the following definitions apply:

- (a) 'Director' includes any person who occupies the position of a director and any person who appears to the CBB to be a Director (howsoever called) of the applicant/licensed locally incorporated bank and its subsidiaries;
- (b) 'Chief Executive/General Manager' means a person who is responsible under the immediate authority of the directors for the conduct of the applicant/licensed locally incorporated bank, including its subsidiaries and overseas branches, or Bahrain branches of foreign banks;
- (c) 'Manager' means a person who, under the immediate authority of a director or the chief executive/general manager, exercises major managerial function(s) or is accountable for maintaining accounts or other records of the applicant/licensed bank;
- (d) 'Interest in the shares' shall include, but not be limited to, direct and/or indirect ownership of such shares, the right of voting associated with such shares, the right to receive dividends payable on such shares, and/or any right, regardless of the form thereof, to purchase (or otherwise acquire an interest in) such shares at any time;
- (e) 'Audited financial statements' refers to the financial statements required under AAOIFI or International Financial Reporting Standards; and
- (f) 'Annual Report' refers to the document which contains the full audited financial statements and accompanying notes as well as any accompanying commentary by the senior officials of the bank.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

## PD-1.2 Requirements for Annual Audited Financial Statements and Annual Report for Locally Incorporated Banks

### *Submission of Annual Audited Financial Statements*

#### PD-1.2.1

All locally incorporated Islamic banks must submit their annual audited financial statements to the CBB including the full disclosures prescribed in this Chapter within 3 months of the end of the bank's financial year (as required by Article 62 of the CBB Law). Banks' annual audited financial statements must be audited by their external auditor.

#### PD-1.2.2

Banks are also required to place the full annual audited financial statements reports on their website (see also PD-1.3.10 (h)) within one week of submission to the CBB.

### *Publication of Annual Audited Financial Statements*

#### PD-1.2.3

Banks must publish extracts from their annual audited financial statements in one Arabic and one English daily newspaper within 2 months of the end of the financial year. The newspaper disclosures may be edited so that notes are not included, but must include at a minimum the statement of financial position (balance sheet), the statements of income, cash flow and changes in equity. The newspaper disclosures must be placed on the bank's website within one week of publication.

#### PD-1.2.4

The newspaper disclosures should include a reference to the fact that the published figures "have been extracted from financial statements audited by XYZ auditor, who expressed an unqualified opinion on (dated report)". Banks must disclose in full any audit qualifications or matter of emphasis paragraphs contained within the auditor's opinion. The auditor's opinion must be made in accordance with AAOIFI's Standards on Auditing and the International Standards on Auditing as established by the International Federation of Accountants (as appropriate).

#### PD-1.2.5

Banks must submit a newspaper copy of the published annual audited financial statements to the CBB within two business days of publication in the concerned newspapers. The copy must be accompanied by a letter clearly showing on which date and in which publications the statements were published.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

**PD-1.2 Requirements for Annual Audited Financial Statements and Annual Report (continued)**

*Submission of Annual Report*

**PD-1.2.6** All locally incorporated Islamic banks must submit their full printed annual report to the CBB, including the full disclosures prescribed in this Chapter within 4 months of the end of the bank's financial year.

**PD-1.2.7** Banks are also required to place the annual report on their website (see also PD-1.3.10(h)) within one week of submission to the CBB.



<b>MODULE</b>	<b>PD:</b>	<b>Public Disclosure</b>
<b>CHAPTER</b>	<b>PD-1:</b>	<b>Annual Disclosure Requirements</b>

## PD-1.2A Requirements for Annual Audited Financial Statements Retail Branches of Foreign Banks

### *Submission of Annual Audited Financial Statements*

#### PD-1.2A.1

All retail branches of foreign conventional banks must submit their annual audited financial statements to the CBB within 3 months of the end of the bank's financial year (as required by Article 62 of the CBB Law).

### *Publication of Annual Audited Financial Statements*

#### PD-1.2A.2

Banks must publish extracts from their audited annual financial statements in one Arabic and one English daily newspaper within 2 months of the end of the financial year. The newspaper disclosures may be edited, but must include at a minimum the statement of financial position (balance sheet), the statements of income and cash flow.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

## PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks

### *Introduction*

**PD-1.3.1** Banks (referred to under Paragraph PD-1.2.1 – hereafter referred to as “banks”) should provide timely information which facilitates market participants’ assessment of them. The disclosure requirements set out in this Section must be included in the Annual Report either as an Appendix or in the notes to the Audited Financial Statements at the discretion of the concerned bank. The disclosures should be addressed in clear terms and with appropriate details to help achieve a satisfactory level of bank transparency.

PD-1.3.2 The disclosure requirements listed in Paragraphs PD-1.3.4 to PD-1.3.35 below follow the requirements of Basel 2 Pillar 3 and are in addition to, or in some cases, serve to clarify the disclosure requirements of AAOIFI and/or IFRS as appropriate.

**PD-1.3.3** If a bank is not able to achieve full compliance with the requirements stated in this Chapter, a meeting should be held with the Director of Islamic Financial Institutions Directorate at the CBB in the presence of the concerned external auditor to discuss the reasons for such non-compliance prior to the finalisation of the annual report. It is the responsibility of the bank to call for such meetings.

### *Investment accounts*

**PD-1.3.4** Restricted investment accounts are to be reported off-balance sheet in the financial statements.

**PD-1.3.5** Unrestricted investment accounts are to be reported on-balance sheet in the financial statements.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Scope of Application - Qualitative Disclosures*

##### PD-1.3.6

The following information must be disclosed in relation to the parent bank (in Bahrain) and its banking and financial institution subsidiaries:

- (a) The full legal name of the top corporate entity in the group to which the disclosure requirements apply;
- (b) An outline of the differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group which for regulatory purposes are:
  - Fully consolidated;
  - Pro-rata consolidated;
  - Subject to deduction treatment;
  - Allowed to recognise surplus capital at the parent level;
  - Neither consolidated nor deducted (e.g. the investment is risk-weighted); and
- (c) Any restrictions on the transfer of funds or regulatory capital within the group (e.g. large exposure or exchange control regulations or covenants over the repayment of capital or the payment of dividends).



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Scope of Application – Quantitative Disclosures*

##### PD-1.3.7

The following information must be disclosed in relation to the parent bank (in Bahrain) and its banking and financial institution subsidiaries:

- (a) The aggregate amount of capital deficiencies in all such subsidiaries that are not included in the consolidation (i.e. that are deducted) and the names and country of incorporation of such subsidiaries;
- (b) The aggregate amounts (current book value) of the bank's total interests in insurance entities, which are risk-weighted rather than deducted from capital or subjected to an alternate group-wide methodology, as well as their name, their country of incorporation or residence, and the proportion of voting power in these entities. In addition, banks must disclose the quantitative impact on regulatory capital of using this method versus the deduction or alternate group-wide method; and
- (c) The aggregate capital deductions, and risk-weighted asset amounts of holdings of equities listed in Subparagraph PD-1.3.7(b) above which are not consolidated into the accounts of the parent bank (in Bahrain).

##### PD-1.3.8

In Subparagraph PD-1.3.7(a), a capital deficiency is the amount by which the regulatory capital base is less than the regulatory capital requirement. Any deficiencies which have been deducted on a group level in addition to the investment in such subsidiaries are not to be included in the aggregate regulatory capital deficiency.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Financial Performance and Position*

##### PD-1.3.9

The following information relating to the financial performance and position of the bank should be included:

- (a) Discussion of the main factors that influenced the bank's financial performance for the year, explaining any differences in performance between the current year and previous years and the reasons for such differences, and discussing factors that will have a significant influence on the bank's future financial performance;
- (b) Basic quantitative indicators of financial performance including, but not restricted to, **ROAE**, **ROAA**, cost-to-income ratios etc. for the past 5 years;
- (c) A discussion of the impact of acquisitions of new businesses and discontinued business and unusual items; and
- (d) A discussion of the impact of changes in the capital structure and their possible impact on earnings and dividends.

#### *Corporate Governance and Transparency*

##### PD-1.3.10

The following information relating to corporate governance must be disclosed in the annual report:

- (a) Information about the Board structure (e.g. the size of the Board, Board committees, function of committees and membership showing executive, non-executive and independent members), and the basic organisational structure (lines of business structure and legal entity structure);
- (b) Information about the profession, business title, and experience in years of each Board member and the qualifications and experience in years of all senior managers (see Section PD-1.1 for definitions);
- (c) Descriptive information on the managerial structure, including:
  - (i) Committees (see w) below for detailed disclosure requirements relating to various types of committees);
  - (ii) Segregation of duties;
  - (iii) Reporting lines; and
  - (iv) Responsibilities;



<b>MODULE</b>	<b>PD: Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1: Annual Disclosure Requirements</b>

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Corporate Governance and Transparency (continued)*

- (d) Descriptive information on the performance-linked incentive structure for the Chief Executive, the General Manager, Managers, Shari'a Board and the Board (remuneration policies, executive compensation, stock options, etc.);
- (e) Nature and extent of transactions with related parties (as defined by AAOIFI and IFRS as appropriate see also PD-1.3.23(d));
- (f) Approval process for related party transactions;
- (g) Information about any changes in the structures (as mentioned in Subparagraphs PD-1.3.10(a) to PD-1.3.10(c) above) from prior periods;
- (h) The communications strategy approved by the Board (including the use of the bank's website) which should perform at least the following:
  - (i) The disclosure of all relevant information to stakeholders on a timely basis in a timely manner; and
  - (ii) The provision of at least the last three years of financial data on the bank's website;
- (i) Distribution of ownership of shares by nationality;
- (j) Directors' and senior managers' trading of the bank's shares during the year, on an individual basis;
- (k) Distribution of ownership of shares by directors and senior managers, on an individual basis;
- (l) Distribution of ownership of shares by size of shareholder;
- (m) Ownership of shares by government;
- (n) The Board's functions – rather than a general statement (which could be disclosed simply as the Board's legal obligations under various laws) the 'mandate' of the Board should be set out;
- (o) The types of material transactions that require Board approval;
- (p) Number and names of independent board members;
- (q) Board terms and start date for each term for each director;
- (r) What the board does to induct, educate and orient new directors;
- (s) Election system of directors and any termination arrangements;
- (t) Meeting dates (number of meetings during the year);
- (u) Attendance of directors at each meeting;
- (v) Whether the board has adopted a written code of ethical business conduct, and if so the text of that code and a statement of how the board monitors compliance;



<b>MODULE</b>	<b>PD: Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1: Annual Disclosure Requirements</b>

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Corporate Governance and Transparency (continued)*

- (w) Minimum number of Board committee meetings per year, the actual number of board meetings, attendance of committees' members and the work of committees and any significant issues arising during the period;
- (x) Reference to Module HC and any amendments subsequently made by the CBB, including explanation and nature of any non-compliance with Module HC in accordance with Paragraph HC-A.1.8;
- (y) Review of internal control processes and procedures;
- (z) Directors responsibility with regard to the preparation of financial statements;
- (aa) Board of Directors – whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution;
- (bb) Locally incorporated banks must maintain a website. Overseas Islamic bank licensees must provide a link on their website in Bahrain to the website of their parent bank;
- (cc) Descriptive information on any investor/ consumer awareness programmes for information on new products and services;
- (dd) Information on any mediation and advice bureaus for investors and customers set up by the bank, including clearly written procedures for logging of complaints;
- (ee) Social functions and charitable contributions of the bank;
- (ff) Descriptive information on the governance arrangements, systems and controls employed by the bank to ensure Shari'a compliance and on how these meet applicable AAOIFI standards, and if there is less than full compliance, an explanation of the reasons for non-compliance;
- (gg) How non-Shari'a-compliant earnings and expenditure occur and the manner in which they are disposed of;
- (hh) The annual zakah contributions of the bank, where relevant;
- (ii) Aggregate remuneration paid to board members;
- (jj) Key features and objectives of the remuneration policy of the bank for board members and senior management as well as the frequency of review of the remuneration structure and the extent to which the policy is applicable to foreign subsidiaries and branches; and
- (kk) Aggregate remuneration paid to senior management.

PD-1.3.10A With regards to corporate governance, banks are subject to additional disclosure requirements on corporate governance, whereby such disclosure are for the benefit of shareholders (See Chapter PD-6).



MODULE	PD:	Public Disclosure
CHAPTER	PD-1:	Annual Disclosure Requirements

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Additional Disclosure Requirements Pertaining to Remuneration*

##### PD-1.3.10B

In addition to the remuneration related disclosure included under Paragraph PD-1.3.10, the following qualitative and quantitative information pertaining to remuneration practices and policies covering the following areas must be disclosed in the annual report:

- (a) The name, composition and mandate of the main body overseeing remuneration;
- (b) Whether external consultants' advice has been sought and by whom in the bank and in what areas of the remuneration process the consultants have been involved;
- (c) The independence of remuneration for staff in risk management, internal audit, operations, financial controls, **internal Shari'a review/audit**, AML and compliance functions;
- (d) The risk adjustment methodologies;
- (e) The link between remuneration and performance;
- (f) The long-term performance measures (deferral, **malus**, **clawback**);
- (g) The types of remuneration (cash/equity, fixed/variable);
- (h) Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that were made;
- (i) A discussion of how the bank ensures that **approved persons** engaged in risk management, internal audit, operations, financial controls, **internal Shari'a review/audit**, AML and compliance functions are remunerated independently of the business units they oversee;
- (j) Description of the ways in which the current and future risks are taken into account in the remuneration processes. Disclosures must include:
  - (i) An overview of the key risks that the bank takes into account when implementing remuneration measures;
  - (ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure;
  - (iii) A discussion on the ways in which these measures affect remuneration; and
  - (iv) A discussion of how the nature and type of these measures have changed over the past year and reasons for the change, as well as the impact of changes on remuneration;



<b>MODULE</b>	<b>PD:</b>	<b>Public Disclosure</b>
<b>CHAPTER</b>	<b>PD-1:</b>	<b>Annual Disclosure Requirements</b>

**PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)**

*Additional Disclosure Requirements Pertaining to Remuneration*

**PD-1.3.10B**

(continued)

- (k) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures must include:
  - (i) An overview of main performance metrics for bank, top-level business lines and individuals;
  - (ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance; and
  - (iii) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak<sup>1</sup>;
- (l) Description of the ways in which the bank seeks to adjust remuneration to take account of longer term performance. Disclosures must include:
  - (i) A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance; and
  - (ii) A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting through clawback arrangements;
- (m) Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms. Disclosures must include:
  - (i) An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms<sup>2</sup>); and
  - (ii) A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description of the factors that determine the mix and their relative importance;

<sup>1</sup> This should include the bank's criteria for determining weak performance metrics.

<sup>2</sup> A description of the elements corresponding to other forms of variable remuneration must be provided.



MODULE	PD:	Public Disclosure
CHAPTER	PD-1:	Annual Disclosure Requirements

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Additional Disclosure Requirements Pertaining to Remuneration*

#### PD-1.3.10B

(continued)

- (n) Number of meetings held by the main body overseeing remuneration during the financial year and aggregate remuneration paid to its members;
- (o) Number and total amount of remuneration for the financial year split into fixed and variable remuneration;
- (p) Number and total amount of variable remuneration awarded during the financial year, split into cash, shares and share-linked instruments and other;
- (q) Number and total amount of guaranteed bonuses awarded during the financial year;
- (r) Number and total amount of sign-on awards made during the financial year;
- (s) Number and total amount of severance payments made during the financial year, and highest such award to a single person;
- (t) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms; and
- (u) Total amount of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments.

#### PD-1.3.10C

The disclosure of remuneration practices must cover approved persons and material risk-takers and must be broken down as follows:

- (a) Members of the board of directors;
- (b) Approved persons in business lines;
- (c) Approved persons in risk management, internal audit, operations, financial controls, **internal Shari'a review/audit**, AML and compliance functions; and
- (d) Material risk-takers not falling under categories (a) to (c).

#### PD-1.3.10D

Disclosure requirements for items under Subparagraph PD-1.3.10B (n) to (u) must be provided for the current as well as for the previous financial year.

#### PD-1.3.10E

Disclosure requirements for items under Subparagraph PD-1.3.10B (o) and (p) may be presented in a table format split between members of the Board and other approved persons, as well as material risk-takers.



<b>MODULE</b>	<b>PD: Public Disclosure</b>
<b>CHAPTER</b>	<b>PD-1: Annual Disclosure Requirements</b>

**PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)**

*Additional Disclosure Requirements Pertaining to Remuneration*

PD-1.3.10F For purposes of Paragraph PD-1.3.10E, the table referred to should be completed separately for:

- (a) Members of the board of directors;

<b>Total value of remuneration awards for the current fiscal year</b>	<b>Unrestricted</b>
Fixed remuneration	
• Sitting Fees	X
• Other (please specify)	X

- (b) Approved persons in business lines;

- (c) Approved persons in risk management, internal audit, operation, financial controls, internal Shari'a review/audit, AML and compliance functions; and

- (d) Material risk-takers not falling under categories (a) to (c).

<b>Total value of remuneration awards for the current fiscal year</b>	<b>Unrestricted</b>	<b>Deferred</b>
Fixed remuneration		
• Cash-based	X	X
• Shares and share-linked instruments	X	X
• Other	X	X
Variable remuneration		
• Cash-based	X	X
• Shares and share-linked instruments	X	X
• Other	X	X

**PD-1.3.10G** In instances where a bank has no approved persons or material risk-takers whose remuneration is in excess of BD100,000 as per Paragraph HC-5.4.2, the disclosure requirements under Subparagraphs PD-1.3.10B(f), (g), (l), (m), (t) and (u) are not required.



<b>MODULE</b>	<b>PD:</b>	<b>Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1:</b>	<b>Annual Disclosure Requirements</b>

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Capital Structure – Qualitative Disclosures*

##### PD-1.3.11

All banks must disclose summary descriptive information on the types, forms, terms and conditions of the main features of all capital- and equity-related instruments and unrestricted investment accounts listed below in PD-1.3.12, PD-1.3.13 and PD-1.3.15, especially in the case of innovative, complex or hybrid capital instruments.

#### *Capital Structure – Quantitative Disclosures*

##### PD-1.3.12

All banks must disclose the amount of Tier One Capital with separate disclosures of:

- (a) Issued and Paid-up share capital/common stock and any changes since the last reporting period;
- (b) Breakdown of reserves and retained earnings;
- (c) Minority interests in the equity of subsidiaries;
- (d) Innovative capital or equity-related instruments;
- (e) Other capital instruments; and
- (f) Regulatory deductions from Tier One Capital (see CA-2 for guidance).

##### PD-1.3.13

All banks must disclose the components of and the total amounts of Tier Two Capital, prior to and after any adjustments or deductions (e.g. amortisations).

##### PD-1.3.14

All banks must disclose the aggregate general deductions from Tier One and Tier Two Capital (i.e. in respect of subsidiaries and material holdings of equities – see Paragraphs PD-1.3.7 and PD-1.3.8 and Module PCD in respect of deduction requirements).

##### PD-1.3.15

All banks must disclose the total eligible capital after all deductions, adjustments or caps (e.g. because of Large Exposures materiality thresholds or ceilings on components of Tier Two capital); and after observing all ceilings on Tier Two Capital.



<b>MODULE</b>	<b>PD:</b>	<b>Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1:</b>	<b>Annual Disclosure Requirements</b>

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Capital Adequacy*

**PD-1.3.16** All banks must present a summary discussion of the bank's approach to assessing the adequacy of capital to support current and future activities. All banks must also disclose a description of the policy on identifying assets suitable for funding by unrestricted investment accounts.

**PD-1.3.17** All banks must disclose the regulatory capital requirements for credit risk by each type of Islamic financing contract.

**PD-1.3.18** All banks must disclose their capital requirements for market risk using the standardised approach.

**PD-1.3.19** All banks must disclose their capital requirements for operational risk under:

- (a) The basic indicator approach; or
- (b) The standardised approach (as applicable).

**PD-1.3.20** All banks must disclose their total and Tier One Capital Ratios on the following basis:

- (a) For the top consolidated group in Bahrain; and
- (b) For all significant bank subsidiaries (whose regulatory capital amounts to over 5% of group consolidated regulatory capital whether on a stand-alone or sub-consolidated basis).



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Risk: General Qualitative Disclosure Requirements*

##### PD-1.3.21

All banks must describe their risk management objectives and policies for each separate risk area below and provide information on whether or not strategies used have been effective throughout the reporting period. The strategies, processes and internal controls (including internal audit) must be described for each area below along with the structure and organisation of the relevant risk management function, and the scope and nature of risk reporting systems and policies for hedging/mitigating risk and strategies for monitoring the continuing effectiveness of hedges/mitigants. There are also certain specific disclosures for each of these areas in addition to the general qualitative disclosures required by this paragraph.

- (a) Credit Risk (see also PD-1.3.22 – PD-1.3.24);
- (b) Market Risk (see also PD-1.3.27);
- (c) Operational Risk (see also PD-1.3.28 – PD-1.3.30);
- (d) Equity Risk in the Banking Book (see also PD-1.3.31);
- (e) Rate of Return Risk (see also PD-1.3.39 – PD-1.3.40); and
- (f) Displaced Commercial Risk (see also PD-1.3.41).

#### *Credit Risk - Qualitative Disclosures*

##### PD-1.3.22

All banks must make the general qualitative disclosures outlined in PD-1.3.21 above, as well as those below:

- (a) Definition of past due and impaired Islamic financing contracts;
- (b) Description of the approaches for specific and general impairment provisions and the associated statistical methods used (where applicable);
- (c) The name of External Credit Assessment Institutions (ECAIs) used for assigning risk weights to assets;
- (d) The types of exposure for which each ECAI is used; and
- (e) The process used to transfer ECAI public issue ratings onto comparable (financing) assets in the banking book.



<b>MODULE</b>	<b>PD: Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1: Annual Disclosure Requirements</b>

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Credit Risk - Quantitative Disclosures*

##### PD-1.3.23

All banks must disclose the following, giving, where applicable, the percentages funded by the banks own capital and current accounts, and by Profit Sharing Investment Accounts (PSIA) respectively:

- (a) Total gross credit exposures (gross outstanding before any risk mitigation) plus average gross exposures over the period broken down by major types of credit exposure (as outlined under IFRS) into funded and unfunded exposures. Where the period end position is representative of the risk positions of the bank during the period, average gross exposures need not be disclosed. Banks must state that average gross exposures have not been disclosed for this reason. Where average amounts are disclosed in accordance with an accounting standard or other requirement which specifies the calculation method to be used, that method should be followed. Otherwise, the average exposures should be calculated using the most frequent interval that an entity's systems generate for management, regulatory or other reasons, provided that the resulting averages are representative of the licensed bank's operations. The basis used for calculating averages needs to be stated;
- (b) Geographic distribution of exposures, broken down into significant areas by major types of credit exposure. Geographical areas may be individual countries, or groups of countries. Banks may define the geographical area according to how they manage the concerned areas internally. The criteria used to allocate exposures to particular geographical areas should be specified;
- (c) Distribution of exposures by industry or counterparty type, broken down by major types of credit exposure, broken down by funded and unfunded exposure;
- (d) Intra-group transactions including exposures to related parties as required by accounting standards (relevant AAOIFI or IFRS), and whether such transactions have been made on an arm's length basis;



<b>MODULE</b>	<b>PD:</b>	<b>Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1:</b>	<b>Annual Disclosure Requirements</b>

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Credit Risk - Quantitative Disclosures (continued)*

- (e) Credit or financing facilities to highly leveraged and other high risk counterparties (as defined in PD-1.3.24) must be separately disclosed as an individual category;
- (f) Banks must disclose concentrations of risk to individual counterparties where the exposure is in excess of the 15% individual obligor limit. These do not require the disclosure of the name of the counterparty;
- (g) Residual contractual maturity breakdown (see PD-1.3.24(a) of the whole portfolio, broken down by major types of credit exposure;
- (h) By major industry or counterparty type:
  - Amount of non-performing and impaired Islamic financing contracts and past due Islamic financing contracts (see PD-1.3.24);
  - Amount and changes in specific and collective impairment provisions during the financial year (see PD-1.3.24);
  - Charges for specific provisions and charge-offs (write-offs) during the period; and
  - Reconciliation of changes in provisions for Islamic financing contracts impairment.
- (i) Amount of past due Islamic financing contracts, provided separately broken down by significant geographic areas including the amounts of specific and collective impairment provisions related to each geographical area (see PD-1.3.24 for definition of geographical area);



<b>MODULE</b>	<b>PD:</b>	<b>Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1:</b>	<b>Annual Disclosure Requirements</b>

**PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)**

*Credit Risk - Quantitative Disclosures (continued)*

- (j) Aggregate quantitative information about all outstanding Islamic financing contracts at year end not included in (h) above that have been restructured (according to the PIR instructions) during the period including:
- The balance of any restructured Islamic financing contracts;
  - The magnitude of any restructuring activity;
  - The impact of restructured Islamic financing contracts on provisions and present and future earnings; and
  - The basic nature of concessions on all credit relationships that are restructured.
- If full repayment is expected, the restructured credit need not be disclosed in this section after satisfactory performance for a period of six months in accordance with the modified terms;
- (k) Quantitative information concerning obligations with respect to recourse transactions (i.e. where the asset has been sold, but the bank retains responsibility for repayment if the original counterparty defaults or fails to fulfil obligations). Information must include the amount of assets sold and any expected losses; and
- (l) Any penalties imposed on customers for default and the disposition of any monies received as penalties.



<b>MODULE</b>	<b>PD: Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1: Annual Disclosure Requirements</b>

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Credit Risk - Quantitative Disclosures (continued)*

##### PD-1.3.24

For Paragraph PD-1.3.23, the following notes are provided:

- (a) Banks must follow the residual maturity groupings currently followed under IFRS 7 (Guidance Note B 11 & B 12), but they must also extend the periods to include 5-10 years, 10-20 years, and 20 years and over (where the banks have exposures or liabilities of such maturity);
- (b) In PD-1.3.23(h), banks must provide an ageing of past due, non-performing or impaired Islamic financing contracts on the following basis:
  - Ageing schedule (over 3 months, over 1 year and over 3 years) of past due Islamic financing contracts and other assets; and
  - Breakdown by relevant counterparty type or major industry ;
- (c) For specific, collective, general and other impairment provisions, the portion of provisions not allocated to specific geographical areas should be shown separately;
- (d) The reconciliation of changes in provisions should show such provisions separately;
- (e) “Highly leveraged and other high risk counterparties” follow the categorisation given in the Basel Committee Paper of March 2001, entitled “Review of issues relating to Highly Leveraged Institutions (HLIs)” which described HLIs as having the following characteristics:
  - They are subject to little or no regulatory oversight;
  - They are generally subject to very limited disclosure requirements and are not subject to rating by credit reference agencies; and
  - HLIs often take on significant leverage, where leverage is the ratio between risk, expressed in some common denominator, and capital.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Credit Risk Mitigation: Disclosure Requirements*

##### PD-1.3.25

- (a) For Credit Risk Mitigation, banks must make the qualitative disclosures of PD-1.3.21 and PD-1.3.22, and also the following disclosures (with regard to credit risk mitigation):
- Policies and processes for, and an indication of the extent to which the bank makes use of on- and off-balance sheet netting, if at all;
  - Policies and processes for collateral valuation and management;
  - A description of the main types of collateral or other Shari'a Compliant risk mitigation techniques employed by the bank;
  - The main types of guarantor and their credit worthiness;
  - Information about (market or credit) risk concentrations within the credit risk mitigation taken;
  - Policies and the carrying amounts for assets owned and leased under Ijarah Muntahia Bittamleek;
  - Where a third party guarantee is taken as a risk mitigant, the risk weight applicable to the guarantor should be disclosed and the Shari'a compliance of the guarantee confirmed; and
  - The nature and carrying amount of any assets held by the bank as collateral (including any haircuts) and the terms and conditions relating to the pledges. When the assets are not readily convertible into cash by the bank, the policies for disposing of the assets, or for using them in the bank's operations, should be disclosed;



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

### PD-1.3 Disclosure in the Annual Report for Locally Incorporated Banks (continued)

- (b) All locally incorporated banks must disclose by type of Islamic financing contract , the total exposure (after on- or off-balance sheet netting, where applicable) that is covered by eligible collateral after the application of haircuts; and
- (c) All locally incorporated banks must disclose the total exposure (after on- or off-balance sheet netting where applicable) that is covered by guarantees by type of Islamic financing contract.

#### *Disclosures Related to Counterparty Credit Risk (CCR)*

##### PD-1.3.26

All locally incorporated banks must make the following disclosures regarding counterparty credit risk:

- (a) The general qualitative disclosures (PD-1.3.21 and PD-1.3.22) with respect to CCR including:
  - Discussion of methodology used to assign capital and credit limits for counterparty credit exposures;
  - Discussion of policies for securing collateral and establishing credit provisions; and
  - Discussion of the impact of the amount of collateral the bank would have to provide if given a credit rating downgrade; and
- (b) Gross positive fair value of contracts, netting benefits, netted current credit exposures and collateral held (including type: e.g. cash, government securities, etc.). Also measures for exposure at default. The distribution of current credit exposure by type of credit exposure (e.g. FX contracts, equity contracts, commodity contracts, etc.).



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

### PD-1.3 Disclosure in the Annual Report for Locally Incorporated Banks (continued)

#### *Market Risk Disclosures for Banks*

##### PD-1.3.27

Banks must disclose the following items:

- (a) The general qualitative disclosure requirements for market risk (PD-1.3.21), identifying the concerned portfolios (special mention must be made of assets that do not have a ready market and/or which are exposed to high price volatility); and
- (b) The capital requirements for each category of the market risk items below on an end period basis, as well as showing the maximum and minimum values during the period:
  - Equity position risk;
  - market risk on trading positions in sukuk;
  - Foreign exchange risk (i.e. net open position); and
  - Commodity risk (i.e. price risk).

#### *Operational Risk Disclosures*

##### PD-1.3.28

All banks must disclose the general qualitative disclosures (PD-1.3.21) and also the approach(es) for operational risk which the bank employs to control such risk, and disclosures of any issues considered to be individually significant.

#### *Operational Risk Qualitative Disclosures*

##### PD-1.3.29

The following additional qualitative disclosures (to Paragraph PD-1.3.21) should be made for operational risk:

- (a) Policies to incorporate operational risk measures into the management framework- for example budgeting, target-setting, and performance review and compliance;
- (b) Policies and processes:
  1. To help track loss events and potential exposures;
  2. To report to these losses, indicators and scenarios on a regular basis; and
  3. To review the reports jointly by risk and line managers; and
- (c) Policies on the loss mitigation process via contingency planning, business continuity planning, staff training and enhancement of internal controls, as well as business processes and infrastructures.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Operational Risk Quantitative Disclosures*

##### PD-1.3.30

The following quantitative disclosures should be made for operational risk:

- (a) The calculation of the capital charge or RWA equivalent for operational risk;
- (b) Indicators of operational risk exposures, such as:
  - Gross income;
  - Amount of non-Shari'a-compliant income; and
  - Number of Shari'a violations that were identified and reported during the financial year; and
- (c) Any material legal contingencies including pending legal actions. This should include a discussion and estimate of the potential liabilities, in addition to qualitative statements about how the bank manages and controls such risks.

#### *Disclosure Requirements for Equity Positions in the Banking Book*

##### PD-1.3.31

All banks must make the following disclosures for any equities held in the Banking Book:

- (a) The general qualitative disclosure requirement (PD-1.3.21) with respect to equity risk, including:
  - Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and
  - Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting policies and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices;
- (b) Total gross exposure and average gross exposure to equity-based financing structures by type of financing contract;
- (c) The types and nature of investments, including the amount that can be classified as quoted on an active market or privately held;
- (d) The cumulative realised gains (or losses) arising from sales or liquidations in the reporting period;



<b>MODULE</b>	<b>PD:</b>	<b>Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1:</b>	<b>Annual Disclosure Requirements</b>

**PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)**

- (e)
  - Total unrealised gains and losses recognised in the balance sheet but not through the P&L;
  - Any unrealised gains and losses included in Tier One and Tier Two capital; and
- (f) Capital requirements broken down by appropriate equity groupings, consistent with the methodology, as well as the aggregate amounts and type of equity investments subject to any supervisory transition or grandfathering provisions regarding regulatory capital requirement.



<b>MODULE</b>	<b>PD:</b>	<b>Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1:</b>	<b>Annual Disclosure Requirements</b>

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Unrestricted Investment Accounts: Qualitative Disclosures*

##### PD-1.3.32

The following qualitative disclosures should be made when the concerned Islamic bank has unrestricted investment accounts:

- (a) Written procedures and policies applicable to the investment accounts, including a synopsis of the following:
  - General applicable investment objectives;
  - Range of investment products available;
  - Characteristics of investors for whom various investment accounts may be appropriate;
  - Purchase, redemption and distribution procedures, including IAH's rights to withdraw funds during the term of the Mudarabah contract, and any penalties, such as forfeited shares of profits, that will be incurred by doing so;
  - Experience of portfolio managers, investment advisors and trustees;
  - Governance arrangements for the IAH funds; and
  - Strategy for trading and organization of assets;
- (b) Disclosure that IAH funds are invested and managed in accordance with Shari'a requirements;
- (c) Product information and the manner in which the products are made available to investors;
- (d) Basis and method of allocation of assets, expenses and profit in relation to IAH funds, including, with particular reference to unrestricted IAH, the co-mingling of their funds with other funds managed by the bank, the balance between shareholders' and IAH's interests in terms of allocating investment funds and the risk-return characteristics of investments;



<b>MODULE</b>	<b>PD: Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1: Annual Disclosure Requirements</b>

**PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)**

- (e) Disclosures on the policies governing the management of IAH funds, which covers the approaches to the management of investment portfolio, establishment of prudential reserves, and the calculation, allocation and distribution of profits, including the extent of management's right to appropriate IAH's share of investment profit in order to build up PER and or IRR, to use these reserves to smooth profit payouts to IAH, the rules governing the transfer of funds to or from PER and IRR, including contractual or regulatory limits on management's discretion in the matter and the disposition of unused balances on these accounts at the end of the relevant Mudarabah contract;
- (f) The availability of "personal banking" and investment advisory and financial planning services for the benefit of IAH, and the degree of independence of such advisors in recommending products offered by other banks;
- (g) Complaints procedures available to dissatisfied IAH;
- (h) The extent of any sharing of profits from the bank's provision of fee-based banking;
- (i) The extent to which the bank is committed to paying a competitive rate of return by accepting DCR;
- (j) The major changes in the investment strategies that affect the investment accounts (including commingling of funds);
- (k) Bases applied for charging expenses to unrestricted IAH; and
- (l) Description of total administrative expenses charged to unrestricted IAH.



<b>MODULE</b>	<b>PD:</b>	<b>Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1:</b>	<b>Annual Disclosure Requirements</b>

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Unrestricted Investment Accounts: Quantitative Disclosure Requirements*

##### PD-1.3.33

The following quantitative disclosures should be made when the concerned Islamic bank has unrestricted investment accounts:

- (a) Amount of IAH funds;
- (b) The ratio of Profit Equalization Reserves (PER) to the total amount of PSIA by type of IAH;
- (c) The ratio of Investment Risk Reserves (IRR) to the total of PSIA by type of IAH;
- (d) ROAA and ROAE;
- (e) Ratio of profit distributed to PSIA by type of IAH. The bank must disclose the profit sharing formula used for the calculation and distribution of profits;
- (f) The management fee (Mudarib share) as a percentage of the total investment profit, and the extent to which it is subject to partial or total waiver in order to pay a competitive rate of return to IAH;
- (g) Ratio of financing to PSIA by type of IAH;
- (h) Percentage of financing for each type of Shari'a-compliant contract to total financing;
- (i) Percentage of financing for each category of counterparty to total financing – that is, Amount of Shari'a-compliant financing extended to a category of counterparties (outstanding) / Amount of total financing (outstanding) x 100;
- (j) The carrying amount of any assets that the bank has pledged as collateral and the terms and conditions relating to the pledge;
- (k) The amount of any guarantees or pledges given by the bank and the conditions attaching to those guarantees or pledges;
- (l) Share of profits earned by IAH, before transfers to or from reserves (amount and as a percentage of funds invested);
- (m) Share of profits paid out to IAH, after transfers to or from reserves (amount and as a percentage of funds invested);
- (n) Share of profits paid out to the bank as Mudarib;
- (o) Movement on PER and IRR during the year;
- (p) The utilization and computation of PER and/or IRR during the period;
- (q) Average declared rate of return or profit rate on PSIA by maturity (3-month, 6-month, 12-month, 36-month);
- (r) Types of assets in which the funds are invested and the actual allocation among various types of assets;



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

**PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)**

- (s) Changes in asset allocation in the last six months;
- (t) Off-balance sheet exposures arising from investment decisions, such as commitment and contingencies;
- (u) Limits imposed on the amount that can be invested in any one asset;
- (v) The treatment of assets financed by IAH in the calculation of RWA for capital adequacy purposes;
- (w) Profits earned and profits paid out over the past five years (amount and as a percentage of funds invested); and
- (x) Amount of total administrative expenses charged to unrestricted IAH.

*Restricted Investment Accounts: Qualitative Disclosure Requirements*

**PD-1.3.34**

The following qualitative disclosures should be made in addition to PD 1.3.32 (a) to (g) when the concerned Islamic bank has restricted investment accounts:

- (a) Written policies on the bank's fiduciary duties in managing IAH funds, and the policies and procedures for monitoring these duties; and
- (b) The duties and obligations of investment account managers in managing the IAH funds, and the policies and procedures for monitoring these duties and obligations.

*Restricted Investment Accounts: Quantitative Disclosure Requirements*

**PD-1.3.35**

The following quantitative disclosures should be made in addition to PD 1.3.33 (a) to (w)- excluding (p) when the concerned Islamic bank has restricted investment account:

- (a) Current period returns;
- (b) Historical returns over the past five years;
- (c) The use of off-balance sheet transactions for investment management, where relevant; and
- (d) Disclosure of the range and measures of risks facing each restricted IAH fund, based on its specific investment policies.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Liquidity Risk Qualitative Disclosures*

PD-1.3.36

All banks must disclose a summary of the liquidity risk management framework used for assessing the risk exposure for each category of funding as well as on an aggregate basis:

- Current accounts;
- Unrestricted investment accounts; and
- Restricted investment account.

Banks must also disclose the policy on diversity of funding sources to allow sufficient resources to Shari'a-compliant funds to mitigate liquidity risk.

#### *Liquidity Risk Quantitative Disclosures*

PD-1.3.37

All banks must disclose the indicators of exposures to liquidity risk such as short-term assets to short-term liabilities, liquid asset ratios or funding volatility.

PD-1.3.38

Banks must disclose a maturity analysis of financing and various categories of funding (current account, unrestricted investment account and restricted investment account) by different maturity buckets.

#### *Rate of Return Risk Qualitative Disclosures*

PD-1.3.39

The following qualitative disclosures should be made for rate of return risk.

- (a) Discussion of factors affecting rates of return and benchmark rates, and the effects thereof on the pricing of contracts; and
- (b) Processes and systems to monitor and measure the factors that give rise to rate of return risk.



<b>MODULE</b>	<b>PD:</b>	<b>Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1:</b>	<b>Annual Disclosure Requirements</b>

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Rate of Return Risk Quantitative Disclosures*

##### PD-1.3.40

The following quantitative disclosures should be made for rate of return risk:

- (a) Indicators of exposures to rate of return risk- for example, data on expected payments/ receipts on financing and funding and the cost of funding at different maturity buckets according to time of maturity or time of re-pricing for floating rate assets or funding; and
- (b) Sensitivity analysis of bank's profits and the rate of returns to price or profit rate movements in the market, including detailed quantitative information about the nature and extent of profit-rate sensitive assets and liabilities and off-balance sheet exposures (e.g. breakdown of fixed and floating profit items and the profit margin earned, and the duration and effective profit rate of assets and liabilities). These disclosures should be by each portfolio identified in PD-1.3.23 a), showing their related gains and losses. Also, the effect on the value of assets, liabilities and economic capital for a benchmark change of 200bp in profit rates should be disclosed.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Displaced Commercial Risk (DCR) Disclosures*

##### PD-1.3.41

All banks must disclose the following regarding DCR:

- (a) The bank's policy on DCR, including the framework for managing the expectations of its shareholders and unrestricted IAH, the sharing of risks among the various stakeholders, and the range and measures of risk facing unrestricted IAH based on the bank's general business strategies and investment policies;
- (b) The historical data over the past five years for the following:
  - (i) Total Mudarabah profits available for sharing between unrestricted IAH and shareholders as Mudarib (as a percentage of Mudarabah assets);
  - (ii) Mudarabah profits earned for unrestricted IAH (as a percentage of assets) before any smoothing;
  - (iii) Mudarabah profits paid out to unrestricted IAH (as a percentage of assets) after any smoothing;
  - (iv) Balances of PER and IRR, and movement of these in determining unrestricted IAH payout excluding PD-1.3.33(p);
  - (v) Variations in Mudarib's agreed profit-sharing ratio from the contractually agreed ratio; and
  - (vi) Market benchmark rates selected by the bank;
- (c) Five year comparison of historical rate of return of unrestricted IAH in relation to the market benchmark rate selected by the bank;
- (d) Five year comparison between the percentage rate of returns to IAH and the percentage returns to shareholders from Mudarabah profits;
- (e) Amount and percentage of profits appropriated to PER and IRR;
- (f) Analysis of the difference between aggregate Mudarabah-earned profit and profit distributed to IAH as a function of movement in PER, IRR and the Mudarib's share; and
- (g) Analysis of the proportion of the RWA funded by IAH that should be considered in arriving at the total RWA together with an explanation of the underlying rationale.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

### PD-1.3 Disclosures in the Annual Report for Locally Incorporated Banks (continued)

#### *Disclosures Concerning other Risks*

##### PD-1.3.42

The following quantitative information about investments in foreign subsidiaries (as included in the Financial Statements Section and representing foreign currency translation risk) must be included in the Annual Report, supplemented by a discussion about:

- (a) The nature of the related currency exposure;
- (b) How that exposure has changed from year to year;
- (c) Foreign exchange translation effects thereon;
- (d) The earnings impact of foreign exchange transactions; and
- (e) The effectiveness of risk management (hedging) strategies.

#### *Compliance Disclosures*

##### PD-1.3.43

The annual report must include a declaration by the external auditor that they did not come across any violations of the requirements below during the course of its audit work that would have any material negative impact on the financial position of the bank:

- (a) The Bahrain Commercial Companies Law (as amended);
- (b) The CBB Law where a violation might have had a material negative effect on the business of the bank or on its financial position;
- (c) The Regulations and Directives issued by the CBB, including Volume 6 (Capital Markets); and
- (d) The Rulebook of the licensed exchange and associated Resolutions, Rules and Procedures (where applicable).

##### PD-1.3.44

The Annual Report must disclose the amount of any penalties paid to the CBB during the period of the report together with a factual description of the reason(s) given by the CBB for the penalty (see Section EN-1.3). Failure to comply with this requirement will mean that the concerned bank will be required to make the disclosure in the subsequent quarterly financial statement and in the subsequent annual financial statement. A financial penalty for non-disclosure will also be levied upon the concerned bank.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual Disclosure Requirements

#### PD-1.4 Additional Disclosure in the Annual Audited Financial Statements of Banks Listed on a Licensed Exchange

PD-1.4.1 The content of this Section is applicable only to locally incorporated banks listed on a licensed exchange.

PD-1.4.2 The disclosure requirements set out in this Section for banks referred to under Paragraph PD-1.4.1 are in addition to those set out in Section PD-1.3.

##### *Interests of Directors, Chief Executive Officers and Managers*

PD-1.4.3 Without prejudice to any other requirement of Bahrain law (or any other direction of the Central Bank), the Directors' Report Section of the annual audited financial statements of banks should contain details of the interests of Directors, chief executive officers and managers (persons as defined under Section PD-1.1, respectively) in the shares of such banks. Such details should include:

- (a) Total interests in the shares of such banks by individual persons mentioned above; and
- (b) Changes in such interests from the previous financial year to the current financial year.

PD-1.4.4 For the purpose of the disclosure required under Paragraph PD-1.4.3, any interests in the shares of a bank held by the spouse(s) or children of a Director, or any other person the control of whose interests in such shares lies ultimately with the Director, shall be deemed to be the interests of the relevant Director. For a definition of 'interest in the shares', see Paragraph PD-1.1.2(d).



<b>MODULE</b>	<b>PD:</b>	<b>Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-1:</b>	<b>Annual Disclosure Requirements</b>

## **PD-1.5 Press Release on Annual Results**

### **PD-1.5.1**

Where a bank chooses to issue a narrative press release in conjunction with or in relation to the publication of its audited annual financial statements as required under Paragraph PD-1.2.3, the press release must indicate the net income for the last quarter.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD 2: Semi-Annual (Interim) Disclosure Requirements

## PD-2.1 Disclosure by Branches of Foreign Banks

**PD-2.1.1** The content of this Section is applicable only to branches (licensed by the CBB) of foreign banks.

**PD-2.1.2** Banks (referred to under Paragraph PD-2.1.1) are required by the CBB to prepare and disclose to the public the following reviewed information (in the same format as their Annual Audited Accounts) for their Bahrain operations on a semi-annual (interim) basis:

- (a) A statement of financial position (balance sheet);
- (b) A statement of income; and
- (c) A statement of cash flow.

**PD-2.1.3** The statements referred to under Paragraph PD-2.1.2 must be reviewed by the bank's external auditor, in accordance with the International Standards on Auditing (ISA) applicable to Review Engagements.

**PD-2.1.4** The statements referred to under Paragraph PD-2.1.2 must be published in one local newspaper within 2 months from the statements' date.

**PD-2.1.5** Banks must submit a newspaper copy of the statements (referred to under Paragraph PD-2.1.2) to the CBB within two business days of publication from the statements' date. The copy should be accompanied by a letter clearly showing on which date and in which publication(s) the statements were published.



<b>MODULE</b>	<b>PD: Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-3: Quarterly Disclosure Requirements</b>

### **PD-3.1 Publication of Reviewed (Unaudited) Quarterly Financial Statements for Locally Incorporated Banks**

**PD-3.1.1** The content of this Section is applicable to locally incorporated banks licensed by the CBB.

**PD-3.1.2** Banks must prepare reviewed (unaudited) quarterly financial statements in accordance with AAOIFI Standards (and IFRS where applicable) for the first three quarters of their financial year.

**PD-3.1.3** Banks' unaudited quarterly financial statements must be reviewed by their external auditor who must also make a statement regarding the results of such review. Such review and statement should be made in accordance with the applicable AAOIFI standards and/or International Standards on Review Engagements.

**PD-3.1.4** Extracts from the reviewed quarterly financial statements (including at least the statement of financial position (balance sheet), the statements of income, cash flows and changes in shareholders' equity as required by AAOIFI Standards must be published in one Arabic and one English daily newspaper widely available in Bahrain and on the bank's website within 45 calendar days of the end of the quarter to which such statements relate. (See Paragraph PD-5.1.2 for non-listed locally incorporated wholesale banks).

**PD-3.1.5** Banks must submit a newspaper copy of the statements (referred to under Paragraph PD-3.1.4) to the CBB within two business days of publication. The copy should be accompanied by a letter clearly showing on which date and in which publication(s) the statements were published.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-3: Quarterly Disclosure Requirements

## PD-3.1 Publication of Reviewed (Unaudited) Quarterly Financial Statements for Locally Incorporated Banks (continued)

### *Additional Requirements for Semi Annual Disclosures*

#### PD-3.1.6

In addition to the requirements of Paragraphs PD-3.1.1 to PD-3.1.5 above, the following requirements apply to the Semi-Annual financial statements posted on banks' websites. Banks must make all the quantitative disclosures required by section PD-1.3 in the half-yearly financial statements on their website, within 45 calendar days of the end of the half-yearly financial statements, but the qualitative disclosure requirements of the Paragraphs listed below may be dispensed with at the option of the bank in their half-yearly statements:

- (a) PD-1.3.6 (b) and (c);
- (b) PD-1.3.9 (a) and (d);
- (c) PD-1.3.10-11;
- (d) PD-1.3.16;
- (e) PD-1.3.21-22;
- (f) PD-1.3.25 (a);
- (g) PD-1.3.26 (a);
- (h) PD-1.3.27 (a);
- (i) PD-1.3.28-29;
- (j) PD-1.3.31 (a);
- (k) PD-1.3.32;
- (l) PD-1.3.34;
- (m) PD-1.3.36;
- (n) PD-1.3.39.



<b>MODULE</b>	<b>PD:</b>	<b>Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-3:</b>	<b>Quarterly Disclosure Requirements</b>

## PD-3.2 Special Arrangements for Newly-Established Banks

**PD-3.2.1** Newly-established banks are not required to follow the publication requirements of sections PD-3.1 for the first three quarters of their operation or until the commencement of their second financial year of operation (whichever period is the longer).

**PD-3.2.2** After the above period has expired, all newly-established locally incorporated banks must follow the publication requirements of Section PD-3.1. Newly-established banks must follow the requirements for annual reporting.



<b>MODULE</b>	<b>PD: Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-4: Other Public Disclosure Requirements</b>

## **PD-4.1 Introduction**

PD-4.1.1 The purpose of the contents of this Chapter is to set out the CBB's requirements relating to other public disclosure of information by the banks, not covered in Chapters PD-1 to PD-3.



<b>MODULE</b>	<b>PD:</b>	<b>Public Disclosure Requirements</b>
<b>CHAPTER</b>	<b>PD-4:</b>	<b>Other Public Disclosure Requirements</b>

**PD-4.2 Disclosure of Key Terms Relating to a Consumer Finance Agreement [This Section was deleted in October 2012 and requirements are now included in Section BC-4.2]**



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-4: Other Public Disclosure Requirements

### PD-4.3 Disclosure to Commercial Customers of Charges on Short-term Financing Facilities

**PD-4.3.1** The content of this Section is applicable to all retail banks licensed by the CBB.

**PD-4.3.2** The CBB requires all retail banks to display, by a conspicuous notice, their scale of charges on BD short-term revolving facilities to commercial customers.

**PD-4.3.3** ‘Conspicuous notice’ means a written statement in both Arabic and English languages which is easily visible and legible and is displayed in all retail banks' premises open to the public.

**PD-4.3.4** Retail banks are left free to decide their own basis of charging and to make changes to it as they consider appropriate.

**PD-4.3.5** Retail banks must display a list of current charges including any standard charges and commissions that will be applied by the bank to individual services and transactions. See Section BC 4.2 for further details.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-4: Other Public Disclosure Requirements

#### PD-4.4 Disclosure Relating to Deposit Protection Scheme

**PD-4.4.1** The content of this Section is applicable to all retail banks licensed by the CBB.

**PD-4.4.2** The CBB requires all retail banks referring (directly or indirectly) to the protection of deposits in related marketing materials and in general notices featured within banking halls and in account documentation, including the Annual Report, to prominently disclose the following statement:

- ‘Subject to the provisions thereof, deposits held with the Bahrain office of [name of the banking firm] are covered by the Deposit Protection Scheme established by the Central Bank of Bahrain regulation concerning the establishment of a Deposit Protection Scheme and a Deposit Protection Board’.

**PD-4.4.3** Retail banks should, in discussions and/or correspondence with new and prospective customers, bring the Deposit Protection Scheme and the protection afforded by it to the customer’s notice.

PD-4.4.4 The CBB welcomes the introduction by the banks, at their discretion, of other appropriate means to promote the Deposit Protection Scheme as prominently as possible.

PD-4.4.5 For detailed guidance on the Deposit Protection Scheme’s documentation requirements, see Chapter CP-2.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-4: Other Public Disclosure Requirements

## PD-4.5 Press Releases Concerning Financial Statements

PD-4.5.1 The content of this Section is applicable to all locally incorporated banks.

PD-4.5.2 Islamic bank licensees must obtain the CBB's prior approval before issuing any press releases regarding interim or annual financial statements. Islamic bank licensees must not publish or cause to be published, any media statements until such times as CBB approval has been granted.

PD-4.5.3 In implementing Rule PD-4.5.2, the CBB will provide the Islamic bank licensee with a written decision within two business days of the receipt of request for approval.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD 5: Public Disclosure via the Internet

## PD-5.1 Publication and Disclosure of Financial Results

### *Existing Requirements*

PD-5.1.1 [This Paragraph was deleted in April 2012].

### *Criteria for Application for Disclosure via the Internet*

PD-5.1.2 Non-listed locally incorporated banks may apply to the CBB to disclose their quarterly financial statements via the internet. If a bank wishes to cease disclosure of quarterly financial statements via the local press, it must satisfy the following criteria:

- (a) The bank has no shareholders resident in Bahrain;
- (b) The bank has no customers resident in Bahrain. Customers include borrowers, depositors, investment account holders or persons from whom the bank earns fees or commissions. 'Customers' in this context would not include other banks, but would include Bahraini corporations, the Government of Bahrain and its agencies, and private individuals (whether high net worth or not); and
- (c) The bank does not market itself in any way to residents of Bahrain. In particular, the bank should not market funds or other financial products to residents, even if the bank has no on balance sheet assets or liabilities arising from Bahraini residents.

PD-5.1.3 Banks meeting all of the above criteria, may apply to the CBB to disclose their quarterly financial statements by way of their website instead of by way of the local press.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-6:	Corporate Governance Disclosure to Shareholders

## PD-6.1 General Requirements

### PD-6.1.1

In addition to the corporate governance disclosure required under Paragraph PD-1.3.10, banks must also disclose to their shareholders the following information:

- (a) Names of shareholders owning 5% or more and, if they act in concert, a description of the voting, shareholders' or other agreements among them relating to acting in concert, and of any other direct and indirect relationships among them or with the bank licensee or other shareholders;
- (b) Information on the directorships held by the directors on other boards;
- (c) Director's trading of the bank's shares during the year;
- (d) [This Subparagraph was deleted in January 2012];
- (e) [This Subparagraph was deleted in January 2012];
- (f) [This Subparagraph was deleted in January 2012];
- (g) Audit fees charged by the external auditor;
- (h) Non-audit services provided by the external auditor and fees;
- (i) Reasons for any switching of auditor and reappointing of auditor; and
- (j) Conflict of Interest – any issues arising must be reported, in addition describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.