

EXECUTIVE SUMMARY OF AMENDMENTS

COVERAGE: **CENTRAL BANK OF BAHRAIN**

LOCATION: **BAHRAIN**

ISSUE: **MAY, 2021 TO JUL, 2021**



INTRODUCTION & SUMMARY

During the period from May 2021 to July 2021, Central Bank of Bahrain (CBB) made a total 66 amendments in module I & II. (33 in Volume I and 33 in Volume II). These regulations/instructions were predominantly in the areas of CBB Reporting Requirements and High Level Controls.



DETAILS OF ISSUED/AMENDED REGULATIONS

Key instructions / regulations disseminated by CBB during May, 2021 to July, 2021 are summarized as below:

Business and Market Conduct (BC)

BC- 1.2.1 and BC- 1.2.2 (Conventional & Islamic Banks)

CBB deleted the both sections regarding the CBB approvals requirement for advertisement in newspapers, public palaces, websites etc. for Retail Banks.

BC- 4.3.6 (Conventional) BC-4.2.6 (Islamic Banks)

This section pertained to Retail Bank's advertisements and now CBB prior approval condition has been removed.

Operational Risk Management (OM)

OM- 5.5 (Conventional & Islamic Banks)

CBB introduced new section regarding cyber risk management in this quarter. This section covered the following areas:

- Role of Board
- Role of Senior Management
- Cyber Security Strategy
- Cyber Security Policy
- Approach, Tools and Methodology
- Preventions controls
- Cyber Risk Identification & Assessments
- Awareness
- Reporting to CBB

Auditors and Accounting Standards (AU)

According to this amendment CBB has fixed the submission date as 30th June. Now section is as under:

- Bank must arrange for their external auditor of a consultancy firm approved by the CBB as required in module to report on the licensee's compliance with the requirements contained in Module FC (Financial Crime), must be submitted to the CBB by the 30th June of the following year

CBB Reporting Requirements (BR)

BR-2.1.2A (Conventional & Islamic Banks)

CBB added new paragraph for retail branches of foreign bank as under:

- All retail branches of foreign banks must submit to the CBB at least 5 working days prior to the intended to publication date, the said documents a) Draft interim financial statements b) Completed Form Information Required for Annual Review

BR-3.1.7B (Conventional Banks) & BR-3.1.5B (Islamic Banks)

CBB has decided to discontinued the requirement of submission information regarding interim and Annual Financial review.

BR-3.1.8A (Conventional Bank) BR-3.1.6A (Islamic Banks)

According to amendment, all banks must submit to the CBB at least 5 working days instead of 7 working days prior to the intended publication date and before their board of directors' meeting to discuss the interim financial statements, the following documents:

Before their board of directors' meeting to discuss the interim financial statements, the following documents:

- Draft interim financial statements
- Completed Form: Information Required for Annual (instead of quarterly) and Interim Financial Review (Appendix BR-21) prepared in accordance with Appendix BR-20

BR-3.2.5A (Conventional Bank) BR-3.1A.5A (Islamic Banks)

According to amendment all branches of foreign retail banks must submit the completed Form: Information required for annual and interim financial review prepared in accordance with appendix BR-20 together with PIR forms within 20 calendar days or together with any draft financial statement submission.

BR-3.2.5B (Conventional Bank) BR-3.1A.5B (Islamic Banks)

This is new section, all whole sale branches of foreign banks must submit the completed Form: Information required for annual and interim financial review prepared in accordance with appendix BR-20 together with PIR forms within 20 calendar days of each quarter.

BR- 4A.6 (Conventional & Islamic Banks)

All retail bank must report to CBB statistics on the availability and performance of APIs on month basis as per the requirements included in the Operational Guidelines and must be submitted with 5 working days of the month end.

BR-3.2.5B (Conventional Bank) BR-3.1A.5B (Islamic Banks)

This is new section, all whole sale branches of foreign banks must submit the completed Form: Information required for annual and interim financial review prepared in accordance with appendix BR-20 together with PIR forms within 20 calendar days of each quarter.

BR- 4A.6 (Conventional & Islamic Banks)

All retail bank must report to CBB statistics on the availability and performance of APIs on month basis as per the requirements included in the Operational Guidelines and must be submitted with 5 working days of the month end.

BR- 5.2.6 (Conventional Banks) BR-5.2.8 (Islamic Banks)

All Bahraini conventional bank licensees must obtain the CBB's prior written approval for any proposed capital increase in a subsidiary and for any major change (regardless of type and/or effect) to the bank's strategy or corporate plan prior to implementation

Credit Risk Management (CM)

CM- 8.4.10 (Conventional Banks) CM-7.4.10 (Islamic Banks)

Banks must report to the CBB within 10 calendar days of each quarter end all facilities that remain 'technically non-compliant' as at the end of the quarter. (As per amendment CBB increase the word within 10 days)

Domestic Systematically Important Banks (DS)

DS-2.1.2 (Conventional & Islamic Banks)

Bank must engage in an annual simulation and scenario exercise to assess whether the RRP's are feasible and credible. The Board must approve any changes to RRP's resulting from such exercise. The results of such annual exercise and the RRP's must be submitted to the CBB annually by the 31st of August.

General Requirements (GR)

GR-5 (Conventional & Islamic Banks)

This Chapter was deleted in July 2021 and superseded by Resolution No. (16) of 2021 with respect to promulgating the Regulation Pertaining to Control in Banks.

GR-6.1.3 (Conventional & Islamic Banks)

This section is pertained to retail banking. According to this section, Licensees must grant ancillary service providers of the types referred to in Paragraph AU-1.2.1 (f) and (g) of Rulebook Volume 5: Ancillary Service Providers Authorisation Module, access to customer accounts on an objective, non-discriminatory and proportionate basis based on consents obtained from the customer.

GR-6.1.5 (Conventional & Islamic Banks)

According to amendment, banks are required to publicly disclose, such as price, fees, and other charges should be made publicly available under open banking. Fees may be charged by banks to AISP's for sharing 'Value Added Data' and 'Aggregated Data' are not required to be shared. Value added data or derived data results from material enhancement by the application of insights, analysis, or transformation on customer data by the licensee. Aggregated data refers to data which is aggregated across the licensee's customer segments for the purpose of analysis.

GR-6.1.7 (Conventional & Islamic Banks)

According to this section, Retail bank must comply with each of the requirements as mentioned in the model.

- Provide access to the same information from designated customer accounts made available to the customer when directly requesting access to the account information
- Provide, immediately after receipt of the payment order, the same information on the initiation and execution of the payment transaction provided or made available to the customer when the transaction is initiated directly by the latter
- Upon request, immediately provide PISP's with a confirmation whether the amount necessary for the execution of a payment transaction is available on the payment account of the payer. This confirmation must consist of a simple 'yes' or 'no' answer

GR-6.1.8 (Conventional & Islamic Banks)

For the purposes of Paragraph GR-6.1.7, retail bank licensees must provide access to information and data pertaining to customer account activity and balances covering a period of 12 full months or 365

days at the time of access to the AISPs in respect of the services/products offered by the licensee as mentioned in the model.

GR-6.2.1 (Conventional & Islamic Banks)

Retail Banks licensees that offer a customer account that is accessible online must have in place at least one interface which meets each of the requirements as mentioned in module.

GR-6.2.3 (Conventional & Islamic Banks)

This section pertains to retail bank and it must allow AISPs and PISPs to rely on the authentication procedures provided by the retail bank licensee to the customer. According to changing word customer is changed from payment service user.

GR-6.2.6 (Conventional & Islamic Banks)

As per section Retail bank must ensure that the dedicated interface established for the AISPs and PISPs offers the same level of availability and performance, including support, as well as the same level of contingency measures, as the interface made available to the customer for directly accessing its payment account online. (According to changing word customer is changed from payment service user.)

GR-6.3.12 (Conventional & Islamic Banks)

According to change CCB has removed the words AISPs, and PISPs, and now sentence is:

- 'Retail banks must have in place a strong customer authentication process'

GR-6.3.13 (Conventional & Islamic Banks)

According to amendment PISPs and AISPs words removed from sentence. Now sentence is that retail banks must adopt security measures that meet the following requirements for payment transactions. Other contents of sentence are not changed.

GR-6.3.14 (Conventional & Islamic Banks)

According to amendment PISPs and AISPs words removed from sentence. Now sentence is that retail banks must establish adequate security features for customer authentication including the use of the following three elements. Other contents of sentence are not changed.

GR-6.3.15 (Conventional & Islamic Banks)

According to amendment PISPs and AISPs words removed from sentence. Now sentence is that retail banks must ensure that the elements referred to in Paragraph GR-6.3.14 are independent.

- End of paragraph new sentence is added i.e. " provided that the licensee is able to demonstrate to CBB that it has established robust controls to mitigate the relevant key risks."
- Other contents of the paragraph are not changed.

GR-6.4.1 (Conventional & Islamic Banks)

CBB has amended the section i.e. Retail Bank must adhere to the Operational Guidelines, Security Standards and Guidelines, Open Banking Application Program Interface (API) Specifications and Customer Journey Guidelines included in Bahrain Open Banking Framework (see CBB website).

GR-6.4.2 (Conventional & Islamic Banks)

This section is amended and revised section is as under:

- Bank must ensure that compliance with standards and guidelines specified in Paragraph GR-6.4.1 is subject to independent review and tests, including testing in a test environment., by an independent consultant upon implementation.

GR-6.5 (Conventional & Islamic Banks)

This section is pertained to implementation plan providing to CBB by banks. Now this section has been deleted.

Internal Capital Adequacy Assessment Process (IC)

IC-1.5.14 (Conventional & Islamic Banks)

According to new amendment bank must submit to the CBB annually their recovery plans by the 31st of August.

Licensing Requirements (LR)

LR-1.3.1 (Conventional & Islamic Banks)

This section pertaining to banking activities. According to this update CBB has allowed two more activities for banks as below:

- Providing account information services
- Providing payment initiation services.

LR-1.3.1B (Conventional & Islamic Banks)

CCB added new section regarding the prior CCB approval for new banking service i.e.

- A Conventional & Islamic bank licensee that wishes to undertake regulated banking services which were not included in its application for licence must obtain CBB's written approval prior to offering such services. In such situations, CBB may impose additional conditions that it deems necessary for the provision of such services

LR-1.3.58 (Conventional & Islamic Banks)

Added new paragraph by CCB regarding account information of customers:

- Providing account information services (AIS) means the activity of obtaining access and the provision of information to customers about their transactions and account balances with other licensees (banks, financing companies or payment service providers) and the handling of communication or electronic documents between the customer and other licensees using an online portal, mobile devices or applications

LR-1.3.61 (Conventional & Islamic Banks)

CCB added new section regarding an independent review for AIS / PIS service provider as below:

- That wish to offer AIS or PIS services must ensure that an independent review is conducted prior to commencement of AIS or PIS services to confirm compliance with the Operational Guidelines, Security Standards and Guidelines, Open Banking Application Program Interface (API) Specifications and Customer Journey Guidelines included in the Bahrain Open Banking Framework available on the CBB website. Such a review must be conducted by a third-party consultant, other than the external auditor

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