

EXECUTIVE SUMMARY OF AMENDMENTS

COVERAGE: **CENTRAL BANK OF BAHRAIN**

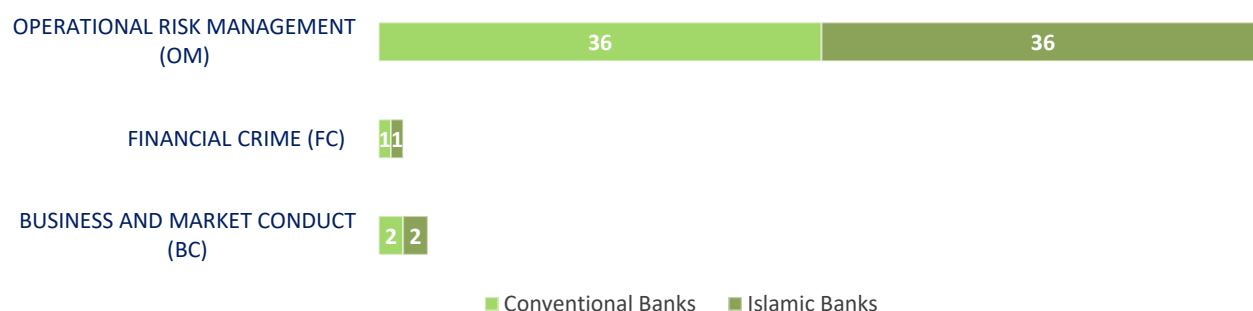
LOCATION: **BAHRAIN**

ISSUE: **MAY 2022 TO JUL 2022**



SUMMARY

During the period from May 2022 to July 2022, Central Bank of Bahrain (CBB) made total 78 amendments in module I & II (Volume I 39 and Volume II 39). 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, 2022 to July, 2022 are summarized as below:

Business & Market Conduct (BC)

BC- 4.20.7 (Conventional & Islamic Banks)

The CBB amended the para on dormant accounts activity. This section is pertained to retail bank. According to amendment: Conventional / Islamic Retail Bank must ensure that no withdrawal or transfer or inward clearing cheque is permitted from dormant accounts unless the activation procedures set out in this section are complied with.

BC- 11.1.1 (Conventional & Islamic Banks)

The CBB amended the para on the Financial Advice Program (FAP). This section is pertained to retail bank. Bank must develop special measures and procedures when providing financial and banking services and transactions for disabled customers to safeguard their rights in requesting and receiving information to ensure equal treatment amongst all customers.

Financial Crime (FC)

FC- 1.1.14A (Conventional & Islamic Banks)

Added a new Paragraph on opening accounts for Bahraini national not physically present in Bahrain through a digital on boarding process using the National E-KYC system, taking into consideration the risk-based approach requirements set out in Chapter FC-C and non-resident requirements set out in Paragraphs FC-1.1.12A to FC-1.1.12H.

Operational Risk Management (OM)

OM- 2 (Conventional & Islamic Banks)

Replaced Chapter OM-2 with new Outsourcing Requirements. Sections added OM-2.1.1 to OM- 2.1.1.9. According to this, the licensee must not outsource the following functions:

- Compliance;
- AML/CFT
- Financial control;
- Risk management;
- Business line functions offering regulated services directly to the customers (refer to Regulation No. (1) of 2007 and its amendments for the list of CBB regulated services)
- For the outsource purpose, Licensees must comply with the following requirements:

- Prior CBB approval is required on any outsourcing to a third party outside Bahrain (excluding cloud data services). The request application must include information on the legal and technical due diligence, risk assessment and detailed compliance assessment.
 - Must be made at least 30 calendar days before the licensee intends to commit to the arrangements.
- Post notification to the CBB, within 5 working days from the date of signing the outsourcing agreement, is required on any outsourcing to an intragroup entity within or outside Bahrain or to a third-party within Bahrain, provided that the outsourced service does not require a license, or to a third-party cloud data services provider inside or outside Bahrain.
- Licensees must have in place sufficient written requirements in their internal policies and procedures addressing all strategic, operational, logistical, business continuity and contingency planning, legal and risks issues in relation to outsourcing.
- Licensees must sign a service level agreement (SLA) or equivalent with every outsourcing service provider.
- Licensees must designate an approved person to act as coordinator for monitoring and assessing the outsourced arrangement.
- Licensee must submit to the CBB any report by any other regulatory authority on the quality of controls of an outsourcing service provider immediately after its receipt or after coming to know about it.
- Licensee must inform its normal supervisory point of contact at the CBB of any material problems encountered with the outsourcing service provider if they remain unresolved for a period of three months from its identification date.

And deleted sections OM-2.2.1, OM-2.3.1, OM-2.3.2, OM-2.3.3, OM-2.3.4, OM-2.3.5, OM-2.4.1, OM-2.4.2, OM-2.4.3, OM-2.4.4, OM-2.5.1, OM-2.5.2, OM-2.5.3, OM-2.6.1, OM-2.6.2, OM-2.7.1, OM-2.7.2, OM-2.7.3, OM-2.7.4, OM-2.7.5, OM-2.8.1, OM-2.8.2, OM-2.8.3, OM-2.8.4, OM-2.8.6, OM-2.8.7, OM-2.8.8 regarding Internal Compliance/ Reporting of outsource material report to CBB.

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