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EXECUTIVE SUMMARY OF AMENDMENTS

COVERAGE: CENTRAL BANK OF BAHRAIN

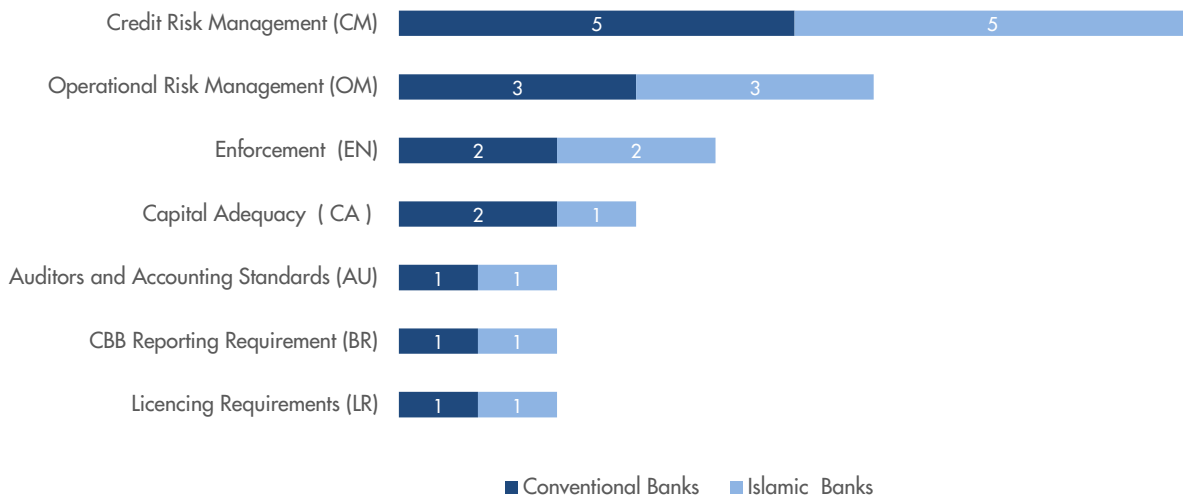
LOCATION: BAHRAIN

ISSUE: AUG 2022 TO OCT 2022



SUMMARY

During the period from August 2022 to October 2022, Central Bank of Bahrain (CBB) made a total 29 amendments in module I & II. (Volume I 15 and Volume II 14). 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 the August 2022 to October 2022 are summarized as below:

Credit Risk Management (CM)

CM-1.2.29 (Conventional & Islamic Banks)

Amended Paragraph by CBB' that bank must set out their policy on country and transfer risks within their Board approved credit risk policy.

CM-1.8.5 (Conventional & Islamic Banks)

Amended the Paragraph on submission to CBB for review of ECL recognition policy statement as approved by Board.

CM-2.5.9 (Conventional & Islamic Banks)

CBB amended the Paragraph on large exposure policy statement. Removed the words "agreed with CBB" as mentioned in last of para.

CM-2.6.2 (Conventional & Islamic Banks)

CBB amended the Paragraph on exempt exposures to parties not connected to the Bank.3.

CM-2.8.1 (Conventional & Islamic Banks)

CBB amended the Paragraph on submission of large exposure policy statement to CBB for approval. Licensees must not implement significant changes to this policy without the prior approval of the Board and CBB. Now removed the word CBB.

Operational Risk Management (OM)

OM- 5.3.25 (Conventional & Islamic Banks)

Added a new Paragraph on compliance with the physical security requirements for ATM installations. According to new addition 'The CBB shall conduct inspections of ATM installations and any non-compliance with the physical security requirements stipulated in this Chapter may lead to suspension of the subject ATMs and trigger other enforcement measures set out in Module EN.'

OM- 5.5.21 (Conventional & Islamic Banks)

CBB amended the Paragraph on email domains requirements, its security procedure, verifications etc.

OM- 5.5.21A (Conventional & Islamic Banks)

Added a new Paragraph on additional domains requirements. For the purpose of Paragraph OM-5.5.21, subject to CBB's approval. Banks may be allowed to use additional domains for email communications with customers under certain circumstances. Examples of such circumstances include emails sent to customers by:

Enforcements (EN)

EN-6.2B (Conventional & Islamic Banks)

This is the financial penalty for late execution of blocking/unblocking orders issued by the Court/Public Prosecution is BD 100 per day per customer account. Now it is transferred to section EN-6.5.

EN-6.5 (Conventional & Islamic Banks)

Added a new Section on Other Financial Penalties i.e. "The financial penalty for late execution of blocking/unblocking orders issued by the Court/Public Prosecution is BD 100 per day per customer account. Such financial penalties will be deducted directly from the conventional bank licensee's clearing account at the CBB or charged through billing on a weekly basis."

Capital Adequacy (CA)

CA-3.2.19B (Conventional Banks) CA-4.2.19B (Islamic Banks)

Amended Paragraph on the implementation of social housing schemes. Reduced the Risk Weight from 35% to 25% subject to meeting conditions mentioned in module. The reduced risk weight is subject to ensuring the compliance with the requirements for timely recognition of expected credit loss (ECL) as per the Credit Risk Management Module (Module CM).

CA- 15.7 (Conventional Banks)

CBB amended this section regarding gearing requirement. Now this section will be applicable to all retail foreign branches.

Auditors and Accounting Standards (AU)

AU-1.1.1. (Conventional & Islamic Banks)

CBB amended the para and mentioned the period for obtaining prior approval for appointment of auditor. New para is "Banks must obtain prior written approval from the CBB before appointing or re-appointing their auditor, within 4 months of their financial year-end."

CBB Reporting Requirement (BR)

BR-A-2.10. (g) (Conventional Banks) BR-6.2B Islamic Banks)

Deleted sub-paragraph regarding reporting of Promotion of financial products and services to CBB.

Licensing Requirements (LR)

LR- 2.5.8 (Conventional & Islamic Banks)

The CBB amended the para regarding maintain the liquidity assets i.e. Conventional Bank must maintain sufficient liquid assets to meet their obligations as they fall due in the normal course of their business.

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