



EDFIS/C/07/2008
20th April 2008

The Compliance Officer
All Investment Firms Licensees
Manama
Kingdom of Bahrain

Dear Sir,

CBB Rulebook: Volume 4 (Investment Business)
April 2008 Update

The April 2008 quarterly update to Volume 4 has now been incorporated in the website version of the Rulebook.¹

This letter highlights changes that have been introduced this quarter. Licensees are required to note any policy changes. In addition, recipients who wish to update their hard copy folders should access the Central Bank of Bahrain ('CBB') website and print off the relevant pages for insertion into their folder.

All changes are highlighted in colour in the PDF versions of the Modules included on the CBB's website. All changes to the text of the previous version of Volume 4, however minor, are highlighted. The searchable version of the Rulebook, in addition, allows users to list changes and compare different versions of the Rulebook.

¹ Volume 4 can be accessed from www.cbb.gov.bh : from the Home page, select 'Regulatory Functions' and then 'Laws & Regulations'. Alternatively, use the 'Quick Links' facility on the Home page to access the CBB Rulebook facility.

Part A Modules

Contents Pages and Module History

The contents page for each Module shows the date each section was last changed and provides a good reference tool to keep track of the latest updates along with the Module History.

Changes for April 2008

The changes for April 2008 are listed in the attached table.

Reminder: Annual License Fees Due Date is 30th April

Licensees are reminded that the annual license fees required in accordance with Section AU-6.2 are to be paid no later than **30th April**. Detailed calculations on the amount of license fees due are outlined in Section AU-6.2 and Form ALF (Annual License Fees) that can be found under Volume 4 (Investment Business) Part B Reporting Forms.

Further Information

Should you have any queries regarding these updates, you may contact the CBB Rulebook team at (rulebook@cbb.gov.bh), or the Director of Financial Institutions Supervision on 17547968.

Yours faithfully,



Abdul Rahman Al Baker

Enclosure: Volume 4 Update Table.

CBB Rulebook (Volume Four) – April 2008 Update

PART A FOLDER		
Module Code	Module Title	Summary of Changes and Printing Instructions
All Modules	N/A	Print off the Table of Contents page for each Module and the Module History Section when changes have been made.
AU	Authorisation	<p>AU-1.1.18: Clarified that Category 3 investment firms must be independent. Print off updated AU-1.1: Pages 3 and 4 of 4.</p> <p>AU-5.2.2: Clarified to whom Form 3 should be sent to if dealing with a request for an appointment of MLRO from an existing investment firm licensee. Print off updated AU-5.2: Page 1 of 1.</p> <p>AU-5.5.5 Outlined CBB's requirements in instances where a controlled function becomes vacant. Print off updated Section AU-5.5.</p>
HC	High-level Controls	HC-1.2: Clarified the rules on board composition, including criteria used in assessing independence of board members. Print off updated Section HC-1.2.
AA	Auditors and Accounting Standards	AA-3.1.1: Clarified that auditor's review is to be attached to the QPR. Print off updated Section AA-3.1.
GR	General Requirements	GR-9.1.1A: Added Guidance concerning limitations on indemnification coverage. Print off updated GR-9.1: Page 1 of 2.
BC	Business Conduct	BC-2.8.14 and 2.12.2 (k) (ii): Clarified the record retention period to be in line with Article 60 of the CBB Law. Print off updated BC-2.8: Page 2 of 2 and BC-2.12: Page 1 of 5.
CL	Client Assets	<p>CL-A.1.4: Clarified that this Directive applies to Category 1 investment firms and Category 2 investment firms. Print off updated Section CL-A.1.</p> <p>CL-1.1.8: Clarified that client bank accounts may only be opened with banks licensed to do business in Bahrain. Print off updated CL-1.1: Page 2 of 4.</p> <p>CL-1.4.1 and 2.6.1: Clarified the record retention period to be in line with Article 60 of the CBB Law. Print off updated Sections CL-1.4 and CL-2.6.</p>

CBB Rulebook (Volume Four) – April 2008 Update (continued)

PART A FOLDER		
Module Code	Module Title	Summary of Changes and Printing Instructions
RM	Risk Management	RM-1.1.11: Clarified the requirement for investment firm licensees to have a separate risk management function. Print off updated RM-1.11: Page 2 of 2. RM-7.3.3: Clarified that CBB prior approval is required for intra-group outsourcing. Print off updated Section RM-7.3.
FC	Financial Crime	FC-3.3.7: Clarified to whom in the CBB, the reports required under Paragraph FC-3.3.1 should be submitted to. Print off updated FC-3.3: Page 3 of 3.

PART B FOLDER		
Authorisation Forms		
Form 3	Application for Approved Person Status	Amended instructions for applications dealing with existing business investment firm licensee pertaining to the position of MLRO. Print off Updated Instructions.
Reporting Forms		
ALF	Annual License Fee Form	Form amended to provide information on payment by wire transfer and changed contact information. Print off updated Form ALF.