



EDBS/KH/C/9/2018

31st January, 2018

Chief Executive Officer

All Banks

Manama - Kingdom of Bahrain

Dear Sir,

CBB Regulatory Policy Initiatives for the Banking Industry for the Year 2018

As part of the CBB's policy to enhance transparency and raise awareness of its regulatory policy initiatives, the CBB notified you on 29 December 2016 of the expected rules that the CBB would issue in 2017.

Among those proposed rules, Sharia Governance Module of the Rulebook Volume 2 was issued and is currently in the implementation stage. Following consultations with industry and extensive discussions, the following Modules/rules are expected to be issued soon:

- Internal Audit Requirements
- Financial Penalties Methodology
- Caps on fees and charges

Significant progress was also made in respect of the remaining initiatives of last year. These have been issued or will be issued in the first quarter of 2018 below:

- Enhancements in capital adequacy rules covering credit risk, market risk, operational risk, Interest rate risk in the banking book (IRRBB) and profit rate risk in the banking book and equity investment in funds.
- Liquidity risk management requirements (LCR and NSFR) issued already in January 2018
- Leverage ratio
- General risk management requirements
- Internal Capital Adequacy Assessment Process
- Reputational risk management
- Stress testing
- Domestic Systemically Important Banks (DSIBs)
- A new institutional risk rating methodology to complement CBB's supervisory review process.

CBB encourages banks to follow prudent practices in the conduct of their business and promptly communicate with CBB on relevant policy matters in the best interests of the financial stability and soundness of the sector.

Yours faithfully,


Khalid Hamad