



EXECUTIVE SUMMARY MODULE



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MODULE	ES: Executive Summary
CHAPTER	ES-A: Introduction

ES-A.1 Purpose

Executive Summary

- ES-A.1.1 The purpose of this Module is to:
- (a) Provide an overview of the structure of Volume 4 (Investment Business);
 - (b) Provide a summary of each Module; and
 - (c) Outline the transition rules for the implementation of Volume 4.
- ES-A.1.2 The Central Bank of Bahrain ('CBB'), in its capacity as the regulatory and supervisory authority for all financial institutions in Bahrain, has as its mission:
- (a) To ensure monetary and financial stability in the Kingdom of Bahrain; and
 - (b) To regulate, develop and maintain confidence in the financial sector.
- ES-A.1.3 As the single regulator, the CBB ensures the consistent application of regulatory standards in banking, insurance and capital markets, as well as encourages an open and cooperative approach in dealing with financial institutions.
- ES-A.1.4 The supervision of the investment business sector in the Kingdom pays particular regard to the standards set by the International Organisation of Securities Commissions (IOSCO). The CBB plays an important role in meeting stakeholders' expectations – the principal stakeholders of the CBB are the Government of the Kingdom of Bahrain, regulated financial institutions, their clients, IOSCO and other relevant international organisations.
- ES-A.1.5 To carry out its responsibilities in relation to the investment business sector, the CBB has four supervisory objectives, namely to:
- (a) Promote the stability and soundness of the sector;
 - (b) Provide an appropriate degree of protection to investors and clients of investment firms;
 - (c) Promote transparency and market discipline; and
 - (d) Reduce the likelihood of investment firms being used for financial crime (including money laundering activities).

Legal Basis

ES-A.1.6 This Module contains the CBB's Directive (as amended from time to time) relating to transition rules and is issued under the powers available to the CBB under Article 38 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law'). The Directive in this Module is applicable to all investment firm licensees (including their approved persons).

ES-A.1.7 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



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ES-A.2 Module History

Evolution of Module

ES-A.2.1 This Module was first issued in April 2006 by the BMA, as part of the first phase of Volume 4 (Investment Business). Any material changes that have subsequently been made to this Module are annotated with the end calendar quarter date in which the change was made: Chapter UG-3 provides further details on Rulebook maintenance and version control.

ES-A.2.2 When the CBB replaced the BMA in September 2006, the provisions of this Module remained in force. Volume 4 was updated in July 2007 to reflect the switch to the CBB; however, new calendar quarter dates were only issued for Module ES where the update necessitated changes to substance (as opposed to merely updating 'BMA' to 'CBB', and similar references).

ES-A.2.3 A list of recent changes made to this Module is provided below:

Module Ref.	Change Date	Description of Changes
ES-A.1	07/2007	New Rule ES-A.1.6 introduced, categorising this Module as a Directive.
ES-1.2	07/2007	Text amended to reflect changes to Module UG.
ES-1.3	07/2007	Text amended to reflect changes to Module AU.
ES-1.4	07/2007	Text amended to reflect changes to Module PB.
ES-1.5	07/2007	Updated to reflect issue of Module HC in July 2007.
ES-1.11	07/2007	Updated to reflect issue of Module RM in July 2007.
ES-1.15	07/2007	Updated to reflect issue of Module BR in July 2007.
ES-2.1, ES-2.3 & ES-2.4	07/2007	Changes to reflect delay in release of Phase 2 contents of Volume 4: implementation deadline for Modules HC, RM and BR – released in July 2007 – now set as 1 January 2008.
ES-2.4.1A	07/2008	Further transition period granted for requirements of Chapter BR-1, Prudential Reporting.
ES-A.1.6	10/2009	Reference to registered administrators removed.
ES-1.1.1	10/2009	Reference to administrator removed.
ES-1.1.5	10/2009	Updated to reflect issue of Modules.
ES-1.3	10/2009	Updated to reflect changes to Module AU.
ES-1.3.9	10/2009	Reference to registration of administrators removed.
ES-1.8	10/2009	Updated to reflect changes to Module CA.
ES-2.4.1A	10/2009	Updated to reflect issue of Form QPR.
ES-1.1, ES-1.3, ES-1.5.3, ES-1.6.1, ES-1.7, ES-1.15-3, ES-2.2.7, ES-2.3.2	07/2010	Updated and corrected typos.
ES-1.13	07/2010	Updated to reflect the issuance of Module TC.
ES-2.5	07/2010	New section added to reflect transition rules for Module TC.
ES-A.1.6	01/2011	Clarified legal basis.
ES-1.5	04/2011	Amended to reflect new structure of Module HC.



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ES-A.2 Module History (continued)

ES-A.2.3 (continued)

Module Ref.	Change Date	Description of Changes
ES-1.6.1	01/2012	Deleted reference to reporting accountants to be in line with October 2011 amendment.
ES-1.6.3	01/2012	Deleted reference to Module FC.
ES-1.14	01/2012	Deleted Section on Module GS (Group Supervision).
ES-1.18	01/2012	This Section was deleted as it is included in Chapter BC-3.
ES-2.6	01/2012	Added Section on transitional Rules for Section BC-3 dealing with customer complaints procedures.
ES-1.3.6	10/2013	Removed reference to Deputy Money Laundering Officer to be aligned with the Rule under Paragraph AU-1.2.2 that was amended in January 2011.
ES-1.7.1, ES-1.13.1 and ES-2.5.2	10/2013	Removed reference to appointed representatives.
ES-1.8.5	10/2014	Added new guidance for capital for underwriting purposes.

Superseded Requirements

ES-A.2.4 This Module does not supersede any previously issued circulars or other regulatory instruments.

ES-A.2.5 Guidance on the implementation and transition to Volume 4 (Investment Business) is given in Chapter ES-2.



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CHAPTER	ES-1: Structure and Summary of Volume 4

ES-1.1 Structure of Volume 4 (Investment Business)

ES-1.1.1 Volume 4 of the Rulebook covers the investment business sector, i.e. the provision of regulated investment services by investment firm licensees. It also includes requirements regarding approved persons.

ES-1.1.2 Volume 4 excludes representative offices of overseas investment firm licensees, and ancillary services providers; these activities are covered by separate regulations (see AU-A.1.11 and AU-A.1.12). These regulations will later be incorporated into Volume 5 (Specialised Activities) of the CBB Rulebook, to be released later.

ES-1.1.3 Volume 4 is made up of two volumes: Part A is the main Volume (comprising a range of Modules that contains all applicable Rules and Guidance), whilst Part B is an appendix Volume (containing a glossary of defined terms, CBB authorisation forms, CBB reporting forms and supplementary information).

ES-1.1.4 Part A of Volume 4 is organised under the following headings:

- Introduction
- High-level Standards
- Business Standards
- Reporting Requirements
- Enforcement and Redress; and
- Sector Guides

ES-1.1.5 Including this Executive Summary Module, there are plans to issue 23 Modules for inclusion in Part A of Volume 4 (Investment Business). It is planned to release Volume 4 in two phases: the first phase release was in April 2006, and comprised 11 Modules, including most of the key requirements. Remaining Modules will be issued later.

ES-1.1.6 Each Module covers a particular subject area – such as capital or conduct of business. The requirements are tailored according to the three categories of investment firm licensee provided for under the authorisation rules, reflecting the different risk profiles of these categories. Sector Guide Modules, to be released as part of the second phase release, will summarise the key elements of the requirements for each of these 3 categories of investment firm, as well as summarise the additional requirements applicable to those investment firms operating purely on a Shari'a compliant basis.

ES-1.1.7 Part B of Volume 4 is organised under the following headings:

- Glossary
- Authorisation Forms
- Reporting Forms
- Supplementary Information



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ES-1.1 Structure of Volume 4 (continued)

ES-1.1.8 Defined terms used in the Rulebook are underlined; their definitions can be found in the Glossary. Each Volume has its own Glossary, as definitions of terms used apply only to the Volume in question. It is possible for the same term to be used in a different Volume with a different meaning.

ES-1.1.9 There are three authorisation forms, comprising (i) Form 1 (application for a license); (ii) Form 2 (application for the authorisation of a controller); and (iii) Form 3 (application for approved person status).

ES-1.1.10 When completed, Volume 4 will also contain 4 reporting forms: (i) Form QPR (Quarterly Prudential Return); (ii) Form AGR (Annual Group Return); (iii) Form STR (Suspicious Transaction Report); and (iv) Form ALF (Annual License Fee).

ES-1.1.11 Finally, space is provided in Part B of Volume 4 for any supplementary information that may be of use to users of the Rulebook. For the time being, Part B contains various additional documents relevant to the Financial Crime Module, notably a copy of Bahrain's anti-money laundering legislation (Amiri Decree Law No. 4 of 2001). It also includes information related to the Client Assets Module (CL) and Enforcement Module (EN).



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ES-1.2 Module UG (User's Guide)

- ES-1.2.1 The User's Guide Module contains introductory material relevant to users of Volume 4. Specifically, it covers (i) the status and application of the Rulebook (with specific reference to Volume 4); (ii) the structure and design of the Rulebook; and (iii) its maintenance, version control and access. These topics are covered in Chapters UG-1 to UG-3 respectively.
- ES-1.2.2 The Module contains mostly Guidance material – that is, material that is not binding on licensees, but instead simply helps inform particular Rules or provides other general information. Most of the Guidance material in Module UG consists of general information.
- ES-1.2.3 The only Rules are contained in Sections UG-A.1, UG-1.2 and UG-1.4. Amongst other things, these specify that the Module has the legal status of a Directive, that Rules have a binding effect, and that the contents of Volume 4 apply from its date of issue in April 2006, subject to any transition arrangements specified in Module ES (see Chapter ES-2).



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ES-1.3 Module AU (Authorisation)

- ES-1.3.1 Module AU covers (i) the licensing of persons undertaking regulated investment services; and (ii) the approval of persons undertaking controlled functions in licensees (approved persons).
- ES-1.3.2 The Module sets out when these two types of authorisation are required, and the associated conditions that have to be satisfied in order for authorisation to be granted.
- ES-1.3.3 With respect to licensing, an investment firm license is required by all persons undertaking, by way of business, regulated investment services within or from the Kingdom of Bahrain. Regulated investment services are fully defined in Section AU-1.4, but in summary they cover the following activities:
- (a) Dealing in financial instruments as principal;
 - (b) Dealing in financial instruments as agent;
 - (c) Arranging deals in financial instruments;
 - (d) Managing financial instruments;
 - (e) Safeguarding financial instruments (i.e. a custodian);
 - (f) Advising on financial instruments; and
 - (g) Operating a collective investment undertaking (i.e. an operator).
- ES-1.3.4 There are 3 categories of investment firm license, determined by the regulated investment services undertaken. Category 1 investment firms may undertake all regulated investment services. Category 2 investment firms may undertake all regulated investment services, except the activity of dealing in financial instruments as principal. Finally, Category 3 investment firms may only undertake the activities of arranging or advising on financial instruments. Only Category 1 and 2 investment firms may hold client assets.
- ES-1.3.5 A licensee may hold itself out as an Islamic investment firm, but only if all its activities are Shari'a compliant. Islamic investment firms are required to comply with certain additional requirements, such as the need to appoint a Shari'a supervisory Board.
- ES-1.3.6 Module AU also deals with the requirements and conditions for approved persons, i.e. those wishing to undertake a controlled function in an investment firm licensee. Controlled functions are those of:
- (a) Director;
 - (b) Chief Executive or general manager;
 - (c) Head of function;
 - (d) Compliance officer;
 - (e) Money Laundering Reporting Officer;
 - (f) [This Subparagraph was deleted in October 2013];
 - (g) Member of Shari'a Supervisory Board;
 - (h) Financial instruments trader; and
 - (i) Investment consultant or investment adviser.



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ES-1.3 **Module AU (Authorisation) (continued)**

ES-1.3.7 The conditions for authorisation of approved persons are set out in Chapter AU-3.

ES-1.3.8 [This Paragraph deleted 07/2007.]

ES-1.3.9 The Module also outlines (in Chapter AU-5) the information requirements and procedures that must be followed as part of the process for:

- (a) Licensing;
- (b) Approved persons.

ES-1.3.10 Chapter AU-6 covers the license application fees as well as the annual license fees.



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ES-1.4 Module PB (Principles of Business)

ES-1.4.1 The 10 Principles of Business covered in Module PB are a general statement of the fundamental obligations of all CBB investment firm licensees and approved persons. They have the status of Rules; and provide a basis for other, more detailed Rules elsewhere in Volume 4.

ES-1.4.2 Principles 1 to 10 apply to activities carried out by licensees, including activities carried out through overseas branches. Principles 1 to 8 also apply to approved persons, in respect of the controlled functions for which they have been approved. Principles 9 and 10 also take into account any activities of other members of the group of which the licensee is a member.

ES-1.4.3 The Principles of Business are:
Principle 1 – Integrity
Principle 2 – Conflicts of Interest
Principle 3 – Due Skill, Care and Diligence
Principle 4 – Confidentiality
Principle 5 – Market Conduct
Principle 6 – Customer Assets
Principle 7 – Customer Interests
Principle 8 – Relations with Regulators/Supervisors
Principle 9 – Adequate Resources
Principle 10 – Management, Systems and Controls



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ES-1.5 Module HC (High-level Controls)

- ES-1.5.1 Module HC outlines the requirements that must be met by investment firm licensees with respect to:
- (a) Corporate governance principles issued by the Ministry of Industry and Commerce as The Corporate Governance Code; and
 - (b) Related high-level controls and policies.
- ES-1.5.1A The Principles referred to in this Module are in line with the Principles relating to the Corporate Governance Code issued by the Ministry of Industry and Commerce.
- ES-1.5.2 The requirements distinguish between different Categories of investment firm licensee. Because of their limited business activities, and consequent lesser risk to customers, Category 3 investment firms are subject to applicable Guidance Paragraphs included in Chapter HC-10.
- ES-1.5.3 Module HC applies to Bahraini investment firm licensees, including their overseas branches (where either the same or equivalent provisions to those in Module HC should apply). Overseas investment firm licensees must demonstrate that the same or equivalent arrangements are in place at the parent entity level, and that these arrangements provide for effective high-level controls over activities conducted in the Bahrain branch.



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ES-1.6 Module AA (Auditors and Auditing Standards)

ES-1.6.1 Module AA contains requirements regarding the appointment and functions of auditors of investment firm licensees. It also contains requirements dealing with accounting standards to be applied by investment firm licensees.

ES-1.6.2 The auditor requirements deal with:

- (a) The appointment of auditors;
- (b) The removal and resignation of auditors;
- (c) Audit partner rotation;
- (d) Auditor independence; and
- (e) Restrictions on the relationship between a licensee and its auditor.

ES-1.6.3 The Module also covers the CBB's requirements regarding access to auditors as well as auditors' access to outsourcing providers. In addition, the Module outlines requirements for licensees to arrange for their auditors to review their quarterly prudential returns, and compliance with Module CL (Client Assets).



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ES-1.7 Module GR (General Requirements)

ES-1.7.1 Module GR covers requirements dealing with areas not covered in other Modules.

The areas covered are:

- (a) Books and records;
- (b) Corporate and trade names;
- (c) Dividends;
- (d) Business transfers;
- (e) Controllers;
- (f) Close links;
- (g) Cessation of business;
- (h) [This Subparagraph was deleted in October 2013]; and
- (i) Professional indemnity coverage.

ES-1.7.2 The above requirements apply to all categories of investment firm licensee, except for the requirements related to the payment of dividends, which apply to Category 1 investment firms and Category 2 investment firms and the professional indemnity requirement, which applies to Category 2 investment firms and Category 3 investment firms only.



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ES-1.8 Module CA (Capital Adequacy)

- ES-1.8.1 Module CA contains requirements on the minimum levels of capital that must be held by investment firm licensees, as well as what constitutes capital for regulatory purposes. These requirements are tailored to fit the different risk profiles of the different categories of investment firm licensees. The requirements apply to both Bahraini investment firm licensees and overseas investment firm licensees (see Section CA-B.1)
- ES-1.8.2 Investment firm licensees are required to maintain their regulatory capital in excess of their regulatory capital requirements at all times. For Category 1 and 2 firms, their regulatory capital requirement is the higher of their Minimum Capital Requirement and their Risk Based Capital Requirement. For Category 3 firms, their regulatory capital requirement is simply their Minimum Capital Requirement.
- ES-1.8.3 Minimum Capital Requirements are as follows:
- (a) Category 1 investment firms: BD 1,000,000
 - (b) Category 2 investment firms: BD 1,000,000 if undertaking the activity of safeguarding financial instruments (i.e. custodian), BD 250,000 in all other cases; and
 - (c) Category 3 investment firms: BD 125,000.
- ES-1.8.4 Risk Based Capital Requirements comprise the sum of a firm's Expenditure Requirement, Position Risk Requirement, Counterparty Risk Requirement and Foreign Exchange Risk Requirement. The actual amount of capital that is required to be held varies depending on the size of an institution's cost base and its various exposures. In practice, the Risk Based Capital Requirement of Category 2 investment firms, because they are not allowed to deal in financial instruments as principal (and thus incur position risk), would largely be determined by its Expenditure Requirement (and any currency mismatches between its assets and liabilities).
- ES-1.8.5 In assessing the financial ability of a Category 1 investment firm licensee to underwrite transactions, the CBB will consider, amongst other factors, the licensee's capital adequacy, its capacity to undertake the activity, and its track record in complying with applicable regulatory requirements. Any underwriting activities require the prior approval of the CBB's Capital Market Supervision Directorate and are subject to Module OFS (Offering of Securities) of Volume 6 of the CBB Rulebook.



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ES-1.9 Module BC (Business Conduct)

ES-1.9.1 This Module sets out minimum standards of good practice to be applied by investment firm licensees, when dealing with their clients. These comprise certain base requirements, supplemented by more detailed requirements in the form of an Investment Business Code of Practice.

ES-1.9.2 The Investment Business Code of Practice covers various matters, relevant to contact throughout a client relationship. They are:

- (a) Overarching principles;
- (b) Client classification;
- (c) Marketing and promotion;
- (d) Accepting clients;
- (e) Suitability;
- (f) Disclosure of information;
- (g) Dealing and managing;
- (h) Reporting to clients;
- (i) Complaints;
- (j) Conflicts of interest;
- (k) Confidentiality; and
- (l) An appendix, covering various specific matters to be addressed in promotional material, transaction confirmations and the like.

ES-1.9.3 These requirements may be modified or supplemented over time, in response to evolving market practices or as issues arise.



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ES-1.10 Module CL (Client Assets)

- ES-1.10.1 This Module provides detailed Rules and Guidance with respect to the holding of client assets by investment firm licensees. They are aimed at ensuring the proper protection of such assets, to restrict the risk of client assets being commingled with investment firm licensee assets (without clients' consent), or otherwise misused.
- ES-1.10.2 As a general rule, client assets are required to be segregated from a firm's own assets, and client money must be held in a client bank account. Various other restrictions and protections apply to client money, whilst the rules also apply certain reconciliation and reporting requirements.
- ES-1.10.3 Finally, the Module also contains certain requirements relating to the provision of custody services (Chapter CL-2), the treatment of assets when held as collateral (Chapter CL-3), controls surrounding the application of client mandates (Chapter CL-4), and rules regarding third party related distribution events (Chapter CL-5).



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ES-1.11 Module RM (Risk Management)

- ES-1.11.1 Module RM provides detailed requirements on risk management systems and controls required for investment firm licensees. It builds on the high-level controls requirements contained in Module HC.
- ES-1.11.2 The Module obliges firms to identify the range of risks that they face and to put in place appropriate systems to address those risks. It also requires the establishment of an appropriate framework for identifying, monitoring and managing risks across an investment firm licensee's operations.
- ES-1.11.3 Module RM applies to Bahraini investment firm licensees, including their overseas branches (where either the same or equivalent provisions to those in Module RM should apply). Overseas investment firm licensees must demonstrate that the same or equivalent arrangements apply to the whole company, and that these arrangements provide for effective risk management of activities conducted in the Bahrain branch.



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ES-1.12 Module FC – Financial Crime

ES-1.12.1 Module FC implements the Financial Action Task Force (FATF) recommendations on money laundering and special recommendations on terrorism financing that are relevant to the investment business sector in Bahrain.

ES-1.12.2 The Module contains detailed requirements relating to:

- (a) Customer identification;
- (b) Reporting;
- (c) Staff awareness and training;
- (d) The appointment of a money laundering reporting officer;
- (e) Compliance monitoring;
- (f) Record-keeping arrangements;
- (g) Segregation of duties;
- (h) Special measures for non-cooperative countries; and
- (i) Contact with relevant authorities.

ES-1.12.3 Item FC (iv) in Part B of Volume 4 (Investment Business) provides further examples of transactions that may be suspicious or unusual.

ES-1.12.4 In addition, Module FC has a Chapter dealing with financial fraud, which imposes certain basic systems and control, and reporting requirements, in this area. These requirements apply to Category 1 investment firms and Category 2 investment firms only.



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ES-1.13 Module TC (Training and Competency)

- ES-1.13.1 Module TC contains requirements that have to be met by investment firm licensees with respect to training and competency of individuals undertaking controlled functions (i.e. approved persons).
- ES-1.13.2 Module TC provides Rules and Guidance to investment firm licensees to ensure satisfactory levels of competence, in terms of an individual's knowledge, skills, experience and professional qualifications.
- ES-1.13.3 Module TC applies in full to all three categories of investment firm licensees authorised in Bahrain.
- ES-1.13.4 The requirements in the Module cover the recruitment and assessing of competence as well as the training and maintenance of competence. In addition, it includes appendices providing guidance on qualifications and core competencies for controlled functions as well professional bodies and qualifications.



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ES-1.14 [This Section was deleted in January 2012]



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ES-1.15 Module BR (CBB Reporting)

- ES-1.15.1 Module BR sets out requirements regarding prudential reporting to the CBB, as well as certain pre- and post-notification requirements. It also describes the information gathering powers of the CBB.
- ES-1.15.2 Module BR, amongst other things, prescribes quarterly prudential reporting to the CBB (Form QPR). All investment firm licensees are required to submit these: however, Category 3 investment firms are only required to complete a subset of the sections included in Form QPR.
- ES-1.15.3 Module BR also obliges all investment firm licensees to seek prior approval for certain events, including proposed changes in the licensee's name, legal status and controllers, as well as other events such as carrying out new regulated investment services or opening new offices overseas.
- ES-1.15.4 Finally, Module BR also requires the post-notification of various events, such as breaches of CBB requirements; legal, regulatory or other proceedings being taken against the licensee; or instances of fraud, errors or other irregularities occurring, that could have a material impact on the licensee.



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ES-1.16 Module PD (Public Disclosure)

ES-1.16.1 This Module is to be issued as part of the second phase release of Volume 4.

ES-1.16.2 When finalised, the Module will contain certain provisions relating to public disclosures, such as the need to publish annual accounts.



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ES-1.17 Module EN (Enforcement)

- ES-1.17.1 This Module outlines enforcement powers and processes that may be applied by the CBB to address failures by investment firm licensees, approved persons or registered persons. The purpose of such measures is to encourage a high standard of compliance by all those authorised by the CBB, thus reducing risk to licensees' clients, counterparties and the financial system.
- ES-1.17.2 The enforcement measures contained in the Module are of varying severity and will be used in keeping with the CBB's assessment of the contravention, reserving the most serious enforcement measures for the most serious of contraventions.
- ES-1.17.3 The CBB's enforcement mechanisms include:
- (a) Formal requests for information;
 - (b) Investigations;
 - (c) Formal warnings;
 - (d) Directions;
 - (e) Financial penalties;
 - (f) Administration;
 - (g) Cancellation of license; and
 - (h) Cancellation of 'fit and proper' approval.
- ES-1.17.4 A reminder of criminal sanctions contained in the CBB Law is also set out in Chapter EN-10.



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ES-1.18 [This Section was deleted in January 2012 as it is included in Chapter BC-3]



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ES-1.19 Module CP (Compensation)

ES-1.19.1 This Module provides space, for possible inclusion at a later date, for a description of any investor protection scheme, should such a scheme be developed in cooperation with the industry.



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ES-1.20 Sector Guides (Modules C1, C2, C3 and IF)

ES-1.20.1 These Modules will be issued as part of the second phase release of Volume 4.

ES-1.20.2 When finalised, these Modules will provide a summary – consisting solely of Guidance material – highlighting the key requirements applicable to the different categories of investment firm licensees, as well as to those investment firms that operate solely on Islamic principles.



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CHAPTER	ES-2: Implementation and Transition Rules

ES-2.1 30 April 2006

ES-2.1.1 Investment firm licensees issued a license after 30 April 2006 must comply with the requirements contained in the first phase release of Volume 4 (Investment Business) from the date of issue of their license.

ES-2.1.2 The earliest effective date of Volume 4 (Investment Business), therefore, is 30 April 2006.

ES-2.1.3 The first phase release of Volume 4 comprises Modules ES, UG, AU, PB, AA, GR, CA, BC, CL, FC and EN.

ES-2.1.4 Other implementation deadlines are prescribed in Sections ES-2.2 to ES-2.4.



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ES-2.2 1 July 2006

ES-2.2.1 Unless otherwise agreed to in writing with the CBB, investment firm licensees issued a license before 30 April 2006 must comply with the requirements contained in the first phase release of Volume 4 (Investment Business) by 1 July 2006, with the exceptions of Modules CA, BC and CL.

ES-2.2.2 Therefore, for investment firms already licensed when Volume 4 was first issued in April 2006, the first implementation date (unless additional transition arrangements have been agreed with in writing with the CBB) is 1 July 2006. A later implementation deadline is given for Modules CA, BC and CL, on account of the wide scope of their requirements: see Section ES-2.3

ES-2.2.3 The first phase release of Volume 4 comprises Modules ES, UG, AU, PB, AA, GR, CA, BC, CL, FC and EN.

ES-2.2.4 Other implementation deadlines are prescribed in Sections ES-2.1, ES-2.3 and ES-2.4.

ES-2.2.5 On an exceptional basis, the CBB may provide for grandfathering or additional transitional measures for certain firms, where these are faced with difficulties in meeting their implementation deadlines, provided such arrangements do not cause excessive risk to investors or other licensees.

ES-2.2.6 Investment firm licensees who were licensed prior to the publication of Volume 4 (Investment Business) do not need to resubmit an application for a license.

ES-2.2.7 Investment firm licensees licensed prior to 30 April 2006 will have their license Category, and the scope of their authorisation, confirmed in an exchange of letters.



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ES-2.3 1 January 2007

ES-2.3.1

Unless otherwise agreed to in writing, investment firm licensees issued a license before 30 April 2006 must comply with the requirements contained in Modules CA, BC and CL by 1 January 2007.

ES-2.3.2

In other words, investment firm licensees licensed prior to the introduction of Volume 4 in April 2006 are required to comply with the first phase release of Volume 4 by 1 July 2006, except for Modules CA, BC and CL which have to be complied with from 1 January 2007 onwards (cf. Rules ES-2.2.1 and ES-2.3.1). Investment firm licensees licensed after the introduction of Volume 4 in April 2006, are required to comply with the first phase release of Volume 4 from the date of issue of their license (cf. Rule ES-2.1.1).



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ES-2.4 1 January 2008

ES-2.4.1 Investment firm licensees licensed prior to 1 July 2007 must comply with the requirements contained in Modules HC, RM and BR by 1 January 2008. Licensees issued a license after 1 July 2007 must comply with these Modules (as well as other content of Volume 4 of the CBB Rulebook), from the date of issue of their license.

ES-2.4.1A As the reporting forms under Chapter BR-1, Prudential Reporting, other than the Quarterly Prudential Report which has been issued in March 2009, are under development, investment firm licensees benefit from a further transition period from the requirements of this Chapter. Licensees will be informed at a later date of the implementation date of Chapter BR-1.

ES-2.4.2 Modules HC, RM and BR were issued in July 2007. Rule ES-2.4.1 means that existing investment firm licensees have therefore a 6-month implementation grace period.



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ES-2.5 Module TC – Training and Competency

ES-2.5.1 The requirements of Module TC for investment firm licensees are effective from 1st July 2010.

ES-2.5.2 Where approved persons holding controlled functions within the investment firm licensee, do not meet the qualifications and core competencies outlined in Appendix TC-1 at the time of the issuance of Module TC, the investment firm licensee must ensure that such individuals will meet the requirements of Module TC by 31st December 2011 at the latest.



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ES-2.6 Module BC – Business Conduct

ES-2.6.1 The requirements of Chapter BC-3, customer complaints procedures, for investment firm licensees are effective from 31st March 2012.