



MICROFINANCE INSTITUTIONS PUBLIC DISCLOSURE MODULE



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MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-A:	Introduction

PD-A.1 Purpose

PD-A.1.1 The purpose of this Module is to set out the detailed qualitative and quantitative public disclosure requirements that the microfinance institutions should adhere to in order to enhance corporate governance and financial transparency through better public disclosure. Such disclosures also help to protect customers and facilitate market discipline.

PD-A.1.2 This Module provides support for certain other parts of the Rulebook, namely:

- (a) Licensing and Authorisation Requirements;
- (b) CBB Reporting Requirements;
- (c) Risk Management;
- (d) High Level Controls;
- (e) Relationship with Audit Firms; and
- (f) Enforcement actions.

PD-A.1.3 This Module also provides support for certain aspects relating to disclosure requirements stipulated in the Central Bank of Bahrain and Financial Institutions Law (Decree No. 64 of 2006) and the Bahrain Commercial Companies Law (as amended).

Legal Basis

PD-A.1.4 This Module contains the Central Bank of Bahrain's ('the CBB') Directive (as amended from time to time) relating to public disclosure 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'). It also incorporates the requirements of Article 62 (as amended from time to time) of the CBB Law with respect to the publication of financial statements. The Directive in this Module is applicable to all microfinance institution licensees.

PD-A.1.5 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-A:	Introduction

PD-A.2 General Requirements

PD-A.2.1

All microfinance institutions must have a formal disclosure policy as part of their overall communications strategy approved by the Board of Directors (and supported by documented procedures) that addresses the disclosures that the microfinance institution makes and the internal controls over the disclosure process. In addition, all microfinance institutions must carry out an annual review of the validity of their disclosures (in terms of scope and accuracy) as outlined in Modules BR and Paragraph AA-3.2.1.

PD-A.2.2

All microfinance institutions are required to publish their annual audited financial statements per the rules set out in this Module and Article 62 of the CBB Law and the Bahrain Commercial Companies Law (as amended), where applicable. Such financial statements must be prepared in accordance with International Financial Reporting Standards (IFRS) in the case of conventional microfinance institutions or Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) for Shari'a compliant licensees and for products and activities not covered by AAOIFI, by IFRS and IAS.

PD-A.2.3

The CBB requires that each microfinance institution maintain an up-to-date checklist of all applicable accounting standards and also the disclosure requirements set out in this Module for full compliance purposes. Such checklists should be part of the microfinance institution's public disclosures procedures.

PD-A.2.4

[This Paragraph was deleted in April 2014].

PD-A.2.5

The disclosures in this Module may be presented as an accompanying document or appendices to the Annual Report or in the Notes to the Financial Statements at the discretion of the concerned microfinance institution.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-A:	Introduction

PD-A.2 General Requirements (continued)

PD-A.2.6 A microfinance institution should decide which disclosures are relevant for it based on the materiality concept and subject to the concurrence of the microfinance institution's external auditor. For the microfinance institutions' guidance, information would be regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

PD-A.2.7 Non-compliance with these disclosure requirements is likely to lead to enforcement actions as outlined in Module EN (Enforcement) such as a fine imposed by the CBB.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-A: Introduction

PD-A.3 Module History

Evolution of Module

PD-A.3.1 This Module was first issued in January 2014 by the CBB. Any material changes that have subsequently been made to this Module are annotated with the calendar quarter date in which the change was made. Chapter UG-3 provides further details on Rulebook maintenance and version control.

PD-A.3.2 A list of recent changes made to this Module is provided below:

Module Ref.	Change Date	Description of Changes
PD-A.2.4	04/2014	Deleted requirement for review by external auditor based on agreed upon procedures of disclosures specified under Module PD.

Superseded Requirements

PD-A.3.3 This Module supersedes the following provisions contained in circulars or other regulatory requirements:

Document Ref.	Document Subject
Volumes 1 and 2	Module PD



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-B:	Scope of Application

PD-B.1 Scope

PD-B.1.1

This Module applies to all microfinance institution licensees authorised in the Kingdom, thereafter referred to in this Module as licensees.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.1 Introduction

PD-1.1.1 The purpose of this Chapter is to set out the CBB's requirements relating to the disclosure of information in the annual audited financial statements of all licensees. This Chapter also refers to the Bahrain Commercial Companies Law (as amended).

PD-1.1.2 For the purpose of this Module, 'audited financial statements' refers to the financial statements required under International Financial Reporting Standards (IFRS) and/or Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.2 Requirements for Annual Audited Financial Statements

Submission of Annual Audited Financial Statements

PD-1.2.1

All licensees must submit their annual audited financial statements to the CBB within 3 months of the end of the licensee's financial year (as required by Article 62 of the CBB Law). Licensees' annual audited financial statements must be audited by their external auditor.

PD-1.2.2

Licensees are also required to publish the annual audited financial statements on their website (see also PD-1.3.8(h)) within seven days of submission to the CBB.

Publication of Annual Audited Financial Statements

PD-1.2.3

Licensees must publish extracts from their audited annual financial statements in one Arabic and one English daily newspaper within 2 months of the end of the financial year. The newspaper disclosures may be edited, but must include at a minimum the balance sheet, the statements of income, the cash flow and changes in equity. The newspaper disclosures must also be published on the licensee's website within seven days of publication.

PD-1.2.4

The newspaper disclosures should include a reference to the fact that the published figures 'have been extracted from financial statements audited by XYZ auditor, who expressed an unqualified opinion on (dated report)'. Licensees must disclose in full any audit qualifications or matter of emphasis paragraphs contained within the auditor's opinion. The auditor's opinion must be made in accordance with the International Standards on Auditing as established by the International Federation of Accountants or AAOIFI's Standards on Auditing, whichever is applicable.

PD-1.2.5

Licensees must submit a copy of the newspaper extracts from their annual audited financial statements to the CBB within two business days of publication in the concerned newspapers. The copy must be accompanied by a letter clearly showing on which date and in which publications the statements were published.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Audited Financial Statements

Introduction

PD-1.3.1

In addition to the disclosures required under the International Financial Reporting Standards (IFRS) and/or Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), licensees must provide timely information which facilitates market participants' assessment of them. The disclosure requirements set out in this Section must be included in the annual audited financial statements either as an Appendix or in the notes, at the discretion of the concerned licensee. The disclosures must be addressed in clear terms and with appropriate details to help achieve a satisfactory level of transparency.

PD-1.3.2

If a licensee is unable to achieve full compliance with the requirements stated in this Chapter, a meeting should be held with the relevant Supervision Director at the CBB in the presence of the concerned external auditor to discuss the reasons for such non-compliance prior to the finalisation of the annual audited financial statements. It is the responsibility of the licensee to call for such meetings.

Financial Performance and Position

PD-1.3.3

The audited financial statements must include a discussion of the main factors that influenced the licensee's financial performance for the year, explaining any differences in performance between the current year and previous years and the reasons for such differences, and discussing factors that will have a significant influence on the licensee's future financial performance.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Audited Financial Statements (continued)

Corporate Governance and Transparency

PD-1.3.4

The following information relating to corporate governance must be disclosed in the audited financial statements:

- (a) Information about the Board structure (e.g. the size of the Board, Board committees) and the basic organisational structure (lines of business structure and legal entity structure);
- (b) Information about the profession, business title, and experience in years of each Board member and the qualifications and experience in years of all heads of function;
- (c) Descriptive information on the managerial structure, including:
 - (i) Committees;
 - (ii) Segregation of duties;
 - (iii) Reporting lines; and
 - (iv) Responsibilities;
- (d) Nature and extent of transactions with related parties (as defined by IFRS and AAOIFI as appropriate);
- (e) Information about any changes in the structures (as mentioned in Subparagraphs PD-1.3.4(a) to PD-1.3.4(c)) from prior periods;
- (f) The communications strategy approved by the Board (including the use of the licensee's website) which should undertake to perform at least the following:
 - (i) The disclosure of all relevant information to stakeholders on a periodic basis in a timely manner; and
 - (ii) The provision of at least the last three years of financial data on the licensee's website;
- (g) Names of shareholders owning 5% or more and, if they act in concert, a description of the voting, shareholders' or other agreements among them relating to acting in concert, and of any other direct and indirect relationships among them or with the licensee or other shareholders; and
- (h) Information on the directorships held by the directors on other boards.

PD-1.3.5

Licensees are required to maintain a website.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

PD-1.3 Disclosures in the Annual Audited Financial Statements (continued)

Capital Structure – Qualitative Disclosures

PD-1.3.6 All licensees must disclose summary information of the terms and conditions of the main features of all capital instruments listed in Paragraph PD-1.3.7.

Capital Structure – Quantitative Disclosures

PD-1.3.7 All licensees must disclose the amount of capital with separate disclosures of:

- (a) Authorised capital;
- (b) Paid-up share capital/common stock; and
- (c) Breakdown of reserves and retained earnings.

Capital Adequacy

PD-1.3.8 All licensees must present a summary of the licensee's approach to assessing the adequacy of capital and adherence to the gearing requirements to support current and future activities.

Credit Risk – Quantitative Disclosures

PD-1.3.9 All licensees must disclose the distribution of exposures by industry and provide for each major industry:

- (a) Amount of impaired loans/facilities and past due loans/facilities, based on an aging schedule;
- (b) Specific and collective impairment provisions and write-offs for the period, shown separately;
- (c) Charges for specific impairment provisions and write-offs during the period; and
- (d) Reconciliation of changes in provisions for impairment.

Operational Risk Disclosures

PD-1.3.10 All licensees must disclose quantitative information on any material legal contingencies including pending legal actions, and a discussion and estimate of the potential liabilities, in addition to qualitative statements about how licensees manage and control such risks.



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-1:	Annual Disclosure Requirements

**PD-1.3 Disclosures in the Annual Audited Financial Statements
(continued)**

Compliance

PD-1.3.11

The audited financial statements must include a declaration by the external auditor that it did not come across any violations of the requirements below during the course of its audit work that would have any material negative impact on the financial position of the licensee:

- (a) The Bahrain Commercial Companies Law (as amended); and
- (b) The CBB Law and any related Regulations, Resolutions and Directives issued by the CBB (as amended from time to time) where a violation might have had a material negative effect on the business of the licensee or on its financial position.

PD-1.3.12

The notes to the audited financial statements must disclose the amount of any penalties paid to the CBB during the period of the report together with a factual description of the reason(s) given by the CBB for the penalty (see Module EN).



MODULE	PD:	Public Disclosure Requirements
CHAPTER	PD-2:	Other Public Disclosure Requirements

PD-2.1 Disclosure of Fees, Commissions and other Charges on Loans/Facilities and other Forms of Financing

Display of Rates by Conspicuous Notice

PD-2.1.1

Licensees must display a list of current charges including any standard charges and commissions that will be applied by the licensee to individual services and transactions. See Module BC for further details.

Advertising of Microfinance Credit Facilities

PD-2.1.2

Licensees are also asked to take special care to ensure that the content of any advertising material does not mislead or deceive the public in any way. All advertising is subject to CBB prior approval in accordance with Section BC-1.8.