



EDBS/KH/C/68/2019  
27<sup>th</sup> August 2019

**Chief Executive Officer**  
All Conventional Retail Banks  
All Financing Companies  
All Payment Service Providers  
Manama  
Kingdom of Bahrain

Dear Sir,

**Interest charge computation on credit cards**

This has reference to the CBB's circular No. EDDBS/KH/C/42/2019, dated 13<sup>th</sup> June 2019, which set forth the CBB's requirements with regards to charging of interest on credit cards. This circular is being issued to further provide detailed explanations and example in relation to the CBB Rulebook requirement in paragraph BC-4.15.1 (b).

In order to ensure proper implementation by all licensees to whom this circular is addressed, the CBB has set out an illustration, see attached Appendix, which helps clarify the above requirements.

Should you have any further queries on this matter, please contact your normal supervisory point of contact at the CBB.

Yours faithfully,

**Khalid Hamad**

cc: Bahrain Association of Banks  
cc: External Audit Firms

## Appendix to the CBB Circular dated 27<sup>th</sup> August 2019

### Illustration of computation of interest on credit card overdue amounts

Statement date/cycle: 30<sup>th</sup> of each month.

Due date: 25 days from the date of statement.

Date (posting date)	Transaction	Outstanding BD
14/3/2019	Transaction dated 13/3/2019 – BD2000	
24/3/2019	Transaction dated 22/3/2019 – BD1500	
<b>30/3/2019</b>	<b>Outstanding balance - Due by 24 /4/2019</b>	<b>3,500</b>
4/4/2019	Transaction dated 3/4/2019 – BD750	
24/4/2019	Repayment	(2,000)
30/4/2019	Interest	Interest on BD1,500 from 24/3/2019 till 30/4/2019 (X <sub>1</sub> )
<b>30/4/2019</b>	<b>Outstanding balance - Due by 25/5/ 2019</b>	<b>750 +1,500 + X<sub>1</sub></b>
15/5/2019	Transaction dated 14/5/2019 – BD2000	
24/5/2019	Repayment	(1,000)
30/5/2019	Interest	Interest* on BD 1500-(1000 – X <sub>1</sub> ) from 1/5/2019 to 30/5/2019 + interest on BD750 from 4/4/2019 to 30/5/2019 = (X <sub>2</sub> )
<b>30/5/2019</b>	<b>Outstanding balance - Due by 24/6/2019</b>	<b>2000 + 750 + (BD 1500-(1000 – X<sub>1</sub>) + X<sub>2</sub></b>
4/6/2019	Transaction dated 3/6/2019 – BD 550	
20/6/2019	Repayment	Full repayment of 30/5/2019 outstanding
<b>30/6/2019</b>	<b>Outstanding balance - Due by 25/7/2019</b>	<b>550</b>

\*Assuming payment is first allocated to the billed interest

Note: As specified in the circular fees and charges must not be subject to interest. Interest must not be computed on interest amounts outstanding.

