

**CBB Requirements
Criteria for Board Membership**

CBB Rulebook Vol.
2 – Module
Licensing
Requirements (LR)

- **LR-1A Approved Persons**
 - **LR-1A.1 CBB Notification and Approval**
 - **General Requirement**
 - **LR-1A.1.1**

All persons wishing to undertake a *controlled function*^G in an *Islamic bank licensee*^G must be approved by the CBB prior to their appointment (subject to the variations contained in Rule [LR-1A.1.3](#)).
 - **LR-1A.1.2**

Controlled functions^G are those functions occupied by board members and persons in executive positions and include:

 - (a) Board Member;
 - (b) *Chief Executive*^G or *General Manager*^G and their Deputies;
 - (c) Chief Financial Officer and/or Financial Controller
 - (d) Head of Risk Management;
 - (e) Head of Internal Audit;
 - (f) Head of Shari'a Review;
 - (g) Compliance officer;
 - (h) Money Laundering Reporting Officer;
 - (i) Deputy Money Laundering Reporting Officer; and
 - (j) Heads of other Functions.
 - **LR-1A.1.3**

Prior approval is required for all *controlled functions*^G in relation to Bahrain operations. *Controlled functions*^G (g) and (h) may be combined, however (see also [FC-4.1](#), regarding the MLRO function).
 - **Basis for Approval**
 - **LR-1A.1.4**

Approval under Rule [LR-1A.1.1](#) is only granted by the CBB, if it is satisfied that the person is fit and proper to

hold the particular position in the licensee concerned. 'Fit and proper' is determined by the CBB on a case-by-case basis. The definition of 'fit and proper' and associated guidance is provided in Sections [LR-1A.2](#) and [LR-1A.3](#) respectively.

- **Prior Approval Requirements and Process**

- **LR-1A.1.17**

Islamic bank licensees^G must obtain CBB's prior written approval before a person is formally appointed to a *controlled function*^G; the request for CBB approval must be made by submitting to CBB a duly completed Form 3 (Application for Approved Person status) and Curriculum Vitae after verifying that all the information contained in Form 3, including previous experience, is accurate. Form 3 is available under in Volume 2 Part B Authorisation Forms of the CBB Rulebook.

- **LR-1A.1.18**

When the request for approved person status forms part of a license application, the Form 3 must be marked for the attention of the Director, Licensing and Policy Directorate. When the submission to undertake a controlled function is in relation to an existing *Islamic bank license*^G, the Form 3 must be marked for the attention of the Director, Islamic Financial Institutions Supervision. In the case of the MLRO or DMLRO, Form 3 should be marked for the attention of the Director, Compliance Directorate.

- **LR-1A.1.18A**

When submitting Form 3, *Islamic bank licensees*^G must ensure that the Form 3 is:

(a) Submitted to the CBB with a covering letter signed by an authorised representative of the *licensee*^G, seeking approval for the proposed *controlled function*^G;

(b) Submitted in original form;

(c) Submitted with a certified copy of the applicant's passport, original or certified copies of educational and professional qualification certificates (and translation if not in Arabic or English) and the Curriculum Vitae; and

(d) Signed by an authorised representative of the *licensee*^G and all pages stamped on with the *licensee's*^G seal.

- **LR-1A.1.18B**

Islamic bank licensees^G seeking to appoint Board Directors must seek CBB approval for all the candidates to be put forward for election/approval at a shareholders' meeting, in advance of the agenda being issued to shareholders. CBB approval of the candidates does not in any way limit shareholders' rights to refuse those

	<p>put forward for election/approval.</p> <ul style="list-style-type: none"> ○ LR-1A-1.18C For existing <i>Islamic bank licensees^G</i> applying for the appointment of a Board <i>Director^G</i> or the <i>Chief Executive^G /General Manager^G</i>, the authorised representative should be the Chairman of the Board or a <i>Director^G</i> signing on behalf of the Board. For all other <i>controlled functions^G</i>, the authorised representative should be the <i>Chief Executive^G /General Manager^G</i>. ● Assessment of Application ○ LR-1A.1.20A The CBB shall review and assess the application for <i>approved person^G</i> status to ensure that it satisfies all the conditions required in Paragraph LR-1A.2.6 and the criteria outlined in Paragraph LR-1A.2.7. ○ LR-1A.1.20B For purposes of Paragraph LR-1A.1.20A, <i>licensees^G</i> should give the CBB a reasonable amount of notice in order for an application to be reviewed. The CBB shall respond within 15 business days from the date of meeting all required conditions and regulatory requirements, including but not limited to, where referral to an overseas supervisor is required and receiving the application complete with all the required information and documents as well as verifying references. ○ LR-1A.1.20C The CBB reserves the right to refuse an application for <i>approved person^G</i> status if it does not satisfy the conditions provided for in Paragraph LR-1A.2.6 and does not satisfy the CBB criteria in Paragraph LR-1A.2.7. A notice of such refusal is issued by registered mail to the <i>licensee^G</i> concerned, setting out the basis for the decision.
<p>CBB Rulebook Vol. 2 – Module Licensing Requirements (LR) – Fit & Proper Requirements</p>	<ul style="list-style-type: none"> ● LR-1A.2 Approved Persons Conditions: 'Fit and Proper' Requirement ○ LR-1A.2.1 <i>Islamic bank licensees^G</i> seeking an <i>approved person^G</i> authorisation for an individual, must satisfy the CBB that the individual concerned is 'fit and proper' to undertake the <i>controlled function^G</i> in question. ○ LR-1A.2.2 Each applicant applying for <i>approved person^G</i> status and those individuals occupying <i>approved</i>

person^G positions must comply with the following conditions:

- (a) Has not previously been convicted of any felony or crime that relates to his/her honesty and/or integrity unless he/she has subsequently been restored to good standing;
- (b) Has not been the subject of any adverse finding in a civil action by any court or competent jurisdiction, relating to fraud;
- (c) Has not been adjudged bankrupt by a court unless a period of 10 years has passed, during which the person has been able to meet all his/her obligations and has achieved economic accomplishments;
- (d) Has not been disqualified by a court, regulator or other competent body, as a director or as a manager of a corporation;
- (e) Has not failed to satisfy a judgement debt under a court order resulting from a business relationship;
- (f) Must have personal integrity, good conduct and reputation;
- (g) Has appropriate professional and other qualifications for the *controlled function*^G in question (see [Appendix TC-1](#) in Module TC (Training and Competency)); and
- (h) Has sufficient experience to perform the duties of the *controlled function*^G (see [Appendix TC-1](#) in Module TC (Training and Competency)).

○ **LR-1A.2.3**

In assessing the conditions prescribed in Rule [LR-1A.2.2](#), the CBB will take into account the criteria contained in Paragraph [LR-1A.2.4](#). The CBB reviews each application on a case-by-case basis, taking into account all relevant circumstances. A person may be considered 'fit and proper' to undertake one type of *controlled function*^G but not another, depending on the function's job size and required levels of experience and expertise. Similarly, a person approved to undertake a *controlled function*^G in one *Islamic bank license*^G may not be considered to have sufficient expertise and experience to undertake nominally the same *controlled function*^G but in a much bigger licensee.

○ **LR-1A.2.4**

In assessing a person's fitness and propriety, the CBB will also consider previous professional and personal conduct (in Bahrain or elsewhere) including, but not limited to, the following:

- (a) The propriety of a person's conduct, whether or not such conduct resulted in a criminal offence being committed, the contravention of a law or regulation, or the institution of legal or disciplinary proceedings;
- (b) A conviction or finding of guilt in respect of any offence, other than a minor traffic offence, by any court or competent jurisdiction;
- (c) Any adverse finding in a civil action by any court or competent jurisdiction, relating to misfeasance or other

	<p>misconduct in connection with the formation or management of a corporation or partnership;</p> <p>(d) Whether the person, or any body corporate, partnership or unincorporated institution to which the applicant has, or has been associated with as a director, controller, manager or company secretary been the subject of any disciplinary proceeding, investigation or fines by any government authority, regulatory agency or professional body or association;</p> <p>(e) The contravention of any financial services legislation;</p> <p>(f) Whether the person has ever been refused a license, authorisation, registration or other authority;</p> <p>(g) Dismissal or a request to resign from any office or employment;</p> <p>(h) Whether the person has been a Director, partner or manager of a corporation or partnership which has gone into liquidation or administration or where one or more partners have been declared bankrupt whilst the person was connected with that partnership;</p> <p>(i) The extent to which the person has been truthful and open with supervisors; and</p> <p>(j) Whether the person has ever entered into any arrangement with creditors in relation to the inability to pay due debts.</p> <ul style="list-style-type: none"> ○ LR-1A.2.5 With respect to Paragraph LR-1A.2.4, the CBB will take into account the length of time since any such event occurred, as well as the seriousness of the matter in question. ○ LR-1A.2.6 <i>Approved persons⁶ undertaking a controlled function⁶ must act prudently, and with honesty, integrity, care, skill and due diligence in the performance of their duties. They must avoid conflicts of interest arising whilst undertaking a controlled function⁶ (refer to Chapter HC-2).</i> ○ LR-1A.2.7 In determining whether a conflict of interest may arise, factors that may be considered include whether: <ul style="list-style-type: none"> (a) A person has breached any fiduciary obligations to the company or terms of employment; (b) A person has undertaken actions that would be difficult to defend, when looked at objectively, as being in the interest of the <i>licensee⁶</i>; and (c) A person has failed to declare a personal interest that has a material impact in terms of the person's relationship with the <i>licensee⁶</i>.
Bahrain Commercial Companies Law	<p>Article (173)</p> <p>The member of the board shall fulfill the following conditions:</p> <ul style="list-style-type: none"> i- He must be fully qualified to act,

	<ul style="list-style-type: none"><li data-bbox="617 196 1892 293">ii- ii- He must not have been convicted in a crime involving negligent or fraudulent bankruptcy or a crime affecting his honor or involving a breach of trust or in a crime on account of his breach of the provisions of this law, unless he was reinstated.<li data-bbox="617 302 1906 505">iii- iii- He must personally own a number of shares the nominal value of which shall be at least ten thousand Bahraini dinars or the person he represents must own a number of shares representing not less than 1% of the company's capital whichever is higher, unless the company's articles of association provide for a higher amount. If the member forfeits any of the above conditions, he shall no longer become member from the date of forfeiture of that condition subject to the provisions of the next article.
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