

CBB REQUIREMENTS

CRITERIA FOR BOARD MEMBERSHIP

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

- LR-1A.1.1

All persons wishing to undertake a *controlled function* in an *Islamic bank licensee* 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* are those of:

- (a) *Director* ;

- (b) *Member of Shari'a Supervisory Board* ;

- (c) *Chief Executive or General Manager* ;

- (d) *Senior Manager* ;

- (e) *Compliance officer*;

- (f) *Money Laundering Reporting Officer*;

- (g) *Deputy Money Laundering Reporting Officer*; and

- (h) *Financial Instruments Trader*.

CBB Rulebook
Vol. 2 – Module
Licensing
Requirements
(LR) – Fit &
Proper
Requirement

- LR-1A.2 'Fit and Proper' Requirement
- LR-1A.2.1

Licensees seeking an *approved person* authorisation for an individual, must satisfy the CBB that the individual concerned is 'fit and proper' to undertake the *controlled function* in question.

- LR-1A.2.2

To be considered 'fit and proper', those nominated must demonstrate:

(a) Personal integrity, honesty and good reputation;

(b) Professional competence, experience and expertise, sufficient for the *controlled function* for which authorisation is being applied for, and given the scale, complexity and nature of the *Islamic bank licensee* concerned; and

(c) Financial soundness.

- 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 Section LR-1A.3. 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* 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* in one *Islamic bank licensee* may not be considered to have sufficient expertise and experience to undertake nominally the same *controlled function* but in a much bigger licensee.

- LR-1A.2.4

Approved persons undertaking a *controlled function* must act prudently, and with honesty, integrity, care, skill and

	<p>due diligence in the performance of their duties. They must avoid conflicts of interest arising whilst undertaking a <i>controlled function</i>.</p>
<p>CBB Rulebook Vol. 2 – Module General Requirements (GR)</p>	<ul style="list-style-type: none"> ▪ GR-5.3.6 <p>In assessing the suitability and the appropriateness of new/prospective <i>controllers</i> (and existing <i>controllers</i> proposing to increase their shareholdings) who are natural persons, CBB has regard to their professional and personal conduct, including, but not limited to, the following:</p> <ul style="list-style-type: none"> (a) The propriety of a person's conduct, whether or not such conduct resulted in conviction for a criminal offence, 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 fraud, misfeasance or other misconduct in connection with the formation or management of a corporation or partnership; (d) Whether the person has been the subject of any disciplinary proceeding by any government authority, regulatory agency or professional body or association; (e) The contravention of any financial services legislation or regulation; (f) Whether the person has ever been refused a license, authorisation, registration or other authority; (g) Dismissal or a request to resign from any office or employment; (h) Disqualification by a court, regulator or other competent body, as a Director or as a manager of a corporation; (i) 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 or managers have been declared bankrupt whilst the person was connected with that partnership or corporation;

(j) The extent to which the person has been truthful and open with regulators;

(k) Whether the person has ever been adjudged bankrupt, entered into any arrangement with creditors in relation to the inability to pay due debts, or failed to satisfy a judgement debt under a court order or has defaulted on any debts; and

(l) The person's track record as a *controller* of, or investor in financial institutions.

(m) The financial resources of the person and the likely stability of their shareholding;

(n) Existing Directorships or ownership of more than 20% of the capital or voting rights of any financial institution in the Kingdom of Bahrain or elsewhere, and the potential for conflicts of interest that such Directorships or ownership may imply;

(o) The legitimate interests of depositors, creditors and minority shareholders of the licensee;

(p) If the approval of a person as a *controller* is or could be detrimental to the subject licensee, Bahrain's banking and financial sector or the national interests of the Kingdom of Bahrain; and

(q) Whether the person is able to deal with existing shareholders and the board in a constructive and co-operative manner.

▪ **GR-5.3.7**

In assessing the suitability and appropriateness of legal persons as *controllers* (wishing to increase their shareholding) or new/potential *controllers*, CBB has regard to their financial standing, judicial and regulatory record, and standards of business practice and reputation, including, but not limited to, the following:

(a) The financial strength of the person, its parent(s) and other members of its group, its implications for the *Islamic*

bank licensee and the likely stability of the person's shareholding;

- (b) Whether the person or members of its group have ever entered into any arrangement with creditors in relation to the inability to pay due debts;
- (c) The person's jurisdiction of incorporation, location of Head Office, group structure and connected counterparties (as defined in CM-5.5.10) and the implications for the *Islamic bank licensee* as regards effective supervision of the *Islamic bank licensee* and potential conflicts of interest;
- (d) The person's (and other group members') propriety and general standards of business conduct, including the contravention of any laws or regulations including financial services legislation on regulations, or the institution of disciplinary proceedings by a government authority, regulatory agency or professional body;
- (e) Any adverse finding in a civil action by any court or competent jurisdiction, relating to fraud, misfeasance or other misconduct;
- (f) Any criminal actions instigated against the person or other members of its group, whether or not this resulted in an adverse finding;
- (g) The extent to which the person or other members of its group have been truthful and open with regulators and supervisors.
- (h) Whether the person has ever been refused a licence, authorisation, registration or other authority.
- (i) The person's track record as a *controller* of, or investor in financial institutions.
- (j) The legitimate interests of depositors, creditors and shareholders of the licensee;
- (k) Whether the approval of a *controller* is or could be detrimental to the subject licensee, Bahrain's banking and financial sector or the national interests of the Kingdom of Bahrain;
- (l) Whether the person is able to deal with existing shareholders and the board in a constructive manner; and

(m) Existing Directorships or ownership of more than 20% of the capital or voting rights of any financial institution in the Kingdom of Bahrain or elsewhere, and the potential for conflicts of interest that such Directorships or ownership may imply.

▪ **GR-5.3.8**

Regulated financial institutions wishing to acquire more than 10% of the voting capital of a *Bahraini Islamic bank licensee* must observe the following additional conditions:

- (a) The person must be subject to effective consolidated supervision by a supervisory authority which effectively implements the Basel Core Principles, or the IOSCO Principles or the IAIS Principles as well as the FATF 40+9 Recommendations on Money Laundering and Terrorist Financing;**
- (b) The *home supervisor* of the person must give its formal written prior approval for (or otherwise raise no objection to) the proposed acquisition of the *Bahraini Islamic bank licensee* ;**
- (c) The *home supervisor* of the person must confirm to the CBB that it will require the person to consolidate the activities of the concerned *Bahraini Islamic bank licensee* for regulatory and accounting purposes if the case so requires;**
- (d) The *home supervisor* of the person must formally agree to the exchange of customer information between the person and its prospective Bahraini subsidiary/acquisition for AML/CFT purposes and for Large Exposures monitoring purposes;**
- (e) The *home supervisor* of the person and the CBB must (if not already in place) conclude a Memorandum of Understanding in respect of supervisory responsibilities, exchange of information and mutual inspection visits;**
- (f) The person must provide an acceptably worded letter of guarantee to the CBB in respect of its obligation to support the licensee; and**
- (g) The *Bahraini Islamic bank licensee* will be subject to the provisions of Chapter CM-5 in respect of exposures to its *controller*.**

BAHRAIN COMMERCIAL COMPANIES LAW

CRITERIA FOR BOARD MEMBERSHIP

BCCL

The member of the board shall fulfill the following conditions:

- 1) He must be fully qualified to act,
- 2) 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.
- 3) 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.