

## **Standard Conditions for Undertaking Occupational Saving Schemes**

### **Definition**

An Occupational Saving Scheme (OSS) is a scheme established by the employer for the purpose of providing saving benefits to full-time employees, in the context of an occupational activity on the basis of an agreement or contract, between the:

- Employer and employees; or
- Employers and employees of the same industry (i.e. Industry Specific Schemes).
- Other arrangements (pooling)

The purpose of establishing an OSS is to segregate and safeguard the funds belonging to the scheme from that of the employers'. The OSS may be established by companies in Bahrain or abroad, subject to these conditions. Establishing an OSS is voluntary by the employer, however, when an OSS is established under these conditions and registered with the CBB, it should be in full compliance with them.

### **Legal Basis**

These Standard Conditions are:

- Issued under the powers available to the CBB under Article 38 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law').
- Applicable to all CBB Licensees that are relevant persons. Relevant persons are required to hold an appropriate CBB license under CBB Rulebook Volumes 1, 2 or 4 (Category 1 and 2), (which deal, respectively, with conventional bank licensees, Islamic bank licensees, and investment firm licensees). A "relevant person", for the purpose of these Terms and Conditions, is any person acting as the Operator, Asset Manager, Administrator, or Trustee of an OSS.
- Volumes 1, 2 or 4 (Categories 1 and 2) licensees wishing to act as the Trustee of the OSS are required to apply for the addition of this activity to their existing license from the Licensing and Policy Directorate at the CBB.

## **Registration Conditions**

Upon establishing an OSS in accordance with these Standard Conditions, it should be registered with the CBB, provided that it fulfills the following requirements:

### **1- Legal Status**

An OSS may only be constituted as a Trust, under Law No. (23) of the Year 2006 regarding Financial Trusts.

### **2- Trust Service Provider**

The relevant persons of a Bahraini-domiciled OSS must appoint a Trust Service Provider Licensee (Trustee) with a presence in the Kingdom of Bahrain. The assets of an OSS must be held by the Trustee under the name of the trust. The Trustee may be the Asset Manager of the OSS, provided that the trustee has the necessary resources to fulfill such obligation.

### **3- Obligations of the Trustee**

Notwithstanding the obligations of the Trustee listed under Article 13 of the Financial Trusts Law of Bahrain, a Trustee:

- Should have the power to obtain professional advice, and engage service providers, including custodian, fund managers, administrators, lawyers, auditors, etc.
- Is responsible to have safe custody of OSS assets.
- Is responsible to monitor the performance of the fund managers.

### **4- Outsourcing of Asset Management**

The outsourcing of the asset management function of an OSS by the trustee is subject to the provisions of Article (21) of the Financial Trust Law of Bahrain.

### **5- Funding of the Scheme**

An OSS must be fully funded at all times.

## **6- Restriction of Investment**

An OSS must have a written investment policy acceptable to the Trustee and beneficiaries of the Scheme, or their representatives, in accordance with the trust instrument. Provision should be made in such document for the following:

- To invest in low risk financial instruments, excluding those issued by the employer or any associate or subsidiary of the employer, with consideration to capital preservation and diversification of investment across sectors and markets; and
- To refrain from borrowing or lending of any kind.

## **7- Audited Accounts**

The Trustee of the OSS must appoint external auditors, subject to the CBB's prior written approval at the time of registration and upon any subsequent change. Audited accounts must be submitted to the CBB and the employer within three months of the end of the financial year for each scheme separately. A separate report addressing the adherence of the scheme to its Rules and its investment policy should be prepared separately on an annual basis and submitted to the CBB and the employer within three months of the end of the financial year for each scheme separately. Such report should provide:

- A statement on the solvency of the scheme.
- A confirmation of the compliance of the OSS with the investment restrictions as set out in these conditions.

## **8- Books and Records**

An OSS must maintain comprehensive books of accounts and records in Bahrain. In addition, they should satisfy the record keeping requirements of the CBB. Books of accounts must be prepared in accordance with IFRS.

## **9- Transparency**

The employer must present each participant of the scheme with a detailed report on the operation of the scheme on at least an annual basis. The report should clearly disclose the charges and fees, as well as the returns of the

scheme. The Employer/Trustee should arrange with the service providers of the OSS to prepare an annual benefit statement to the employees.

#### **10- Provision of Information**

Relevant persons must act in an open and cooperative manner with the CBB and provide any information as may be required.

#### **11- General Conduct**

Relevant persons must conduct their activities in a professional and orderly manner, in keeping with good market practice.

#### **12- Minimum size of the Scheme**

In order to qualify for registration at the CBB, the minimum size of the scheme should be equivalent to BD250,000 or more. The minimum size needs to be reached at the time of registration, or within a period not exceeding six months of the inception of the OSS.

#### **13- Annual Fees**

An OSS is subject to an annual processing fee of BD100 payable by the scheme upon registration and subsequently at the beginning of every financial year.

#### **14- Investigation of Occupational Saving Schemes**

An OSS is subject to being inspected by the CBB as part of its supervisory practice.

#### **15- Voluntary Liquidation/Termination of an Occupational Saving Scheme**

The voluntary liquidation or termination of an OSS for any reason, including the bankruptcy of the Employer, is subject to the prior written approval of the CBB.

## **16- Additional Conditions**

An OSS must comply with any other specific requirements or restrictions imposed by the CBB on the scope of their operations from time to time.

An OSS is subject to the provisions of the CBB Law. These include the right of the CBB to impose such terms and conditions, as it may deem necessary when registering such schemes. In addition, the CBB may impose additional restrictions or requirements, beyond those already specified in this document to address specific requirements and risks.

Any scheme registered by the CBB shall not be taken to constitute a warranty or representation by the CBB as to the potential performance of that scheme and the CBB shall not be liable to any person for the performance of the scheme or the default thereof. Licensees are required to communicate this disclaimer in writing to participants of the scheme immediately before their entry into the scheme.

Additionally, the scheme must not represent (either verbally or in any document or explanatory material produced by the scheme) that it is licensed by the CBB and must clearly display a written statement indicating that the scheme is considered only a “registered” scheme for the purposes of the CBB’s Standard Conditions for Undertaking Occupational Saving Schemes.

## **Appendix**

### **Registration Process**

1. Applications for registration of an OSS must be made to the Financial Institutions Supervision Directorate at the CBB by the Trustee on behalf of the relevant persons, i.e., Volume 1, Volume 2 and Volume 4 (Category 1 and 2) Licensees.
2. Applications should be submitted to the CBB with the following documents:
  - An application for registration letter signed by an authorized signatory marked for the attention of the Director – Financial Institutions Supervision Directorate.
  - A document clearly outlining the terms and conditions of the scheme (i.e. the Term Sheet).
  - A copy of the Trust Deed of the OSS.
  - Any other relevant documents.
  - Proof of payment of the annual registration fees.