

## Industry Comments & the CBB Feedback Statement on the Administrators Rulebook Consultation May-2011

Specific comments		
Proposed Rule	Industry Comments	CBB's Feedback
<b>Authorisation (AU)</b>		
<p><b>AU-1.1.4</b> Where a person is licensed under Volumes 1 or 2, i.e. as a bank, then a separate license under Volume 5 is not required in order to undertake activities of the kind specified under Paragraph AU-1.1.11, subject to the bank meeting all the requirements of Volumes 1 or 2.</p>	<p><b>A Company</b> stated that if a bank was to practice fund administration based on its current license, the Company would hope that they be required to demonstrate that they have the proper specialized software and experience in this industry.</p>	<p>Although banks are not required to hold a separate license, however, if they choose to offer regulated administration services then they must comply with the requirements of this Rulebook. A statement will be added to the Licensing requirements Module of Rulebook Volumes 1 &amp; 2 for Conventional &amp; Islamic Banks respectively stating that banks who offer regulated administrators services must comply with the requirements</p>

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		of Administrators Rulebook (Rule-Book Volume-5).
<b>General Requirements (GR)</b>		
<p><b>GR-8.1.1</b> Licensees must maintain professional indemnity coverage. The professional indemnity coverage must be obtained from an insurance firm acceptable to the CBB and licensed in the Kingdom of Bahrain.</p>	<p><b>A Company</b> stated that if the licensee is part of a group of companies, one professional indemnity coverage which covers the group should be acceptable. The insurance company would not necessarily be licensed in Bahrain but could be approved by the CBB.</p>	<p>Professional indemnity on a group basis is covered in GR-8.1.7. The requirement to maintain insurance coverage will normally be met by the licensee concerned obtaining an insurance policy from an insurance firm. The CBB may also accept an insurance policy issued at group level, e.g. issued with respect to the parent of the licensee, provided the terms of the policy explicitly provide coverage with respect to the <u>licensee</u>.</p>

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<b>Capital Adequacy (CA)</b>		
<p><b>CA-1.2.7</b> The liquid assets referred to in Rules CA-1.2.5 and CA-1.2.6 must be free of encumbrances, pledges or liens.</p> <p><b>CA-1.2.5</b> A licensee's whose regulated administration services are those outlined for fund administrators in Paragraph AU-1.1.11, must hold net liquid assets in a form acceptable to the CBB. The net liquid assets must be the greater of: (a) BD40,000; and (b) Six months of estimated total expenses.</p> <p><b>CA-1.2.6</b> A licensee's whose regulated administration services are those outlined for registrars in Paragraph AU-1.1.12, must hold net liquid assets in a form acceptable to the CBB. The net liquid assets must be the greater of: (a) BD20,000; and (b) Six months of estimated total <i>expenses</i>.</p>	<p><b>A Company</b> stated that if the licensee is part of a group of companies, lower liquidity requirements could be implemented if the parent company is regulated and provides a letter of support to the licensee. This allows the group of companies to manage liquidity at the group level while respecting liquidity requirements of the lead regulator. From our experience, liquidity requirements in other jurisdictions which are based on the expenses of the company are more often then not equal to 3 months of estimated total expenses.</p>	<p>Disagree- All Licensees offering Administration regulated services (whether local or branches of foreign company) must comply with the minimum liquidity requirements stated in this Module.</p>