

**Comments on the Proposed Amendments to Module PD for Volume 2 (Islamic Banks)
 Pertaining to Capital Composition and Securitisation Disclosures – Module PD
 April 2016**

Industry Comments: Islamic Retail Banks		
General Comments:	Ref	CBB's Response
<p>A bank noted the following:</p> <ul style="list-style-type: none"> • They are of the opinion that the amendments enhance transparency and comparability between banks. • With respect to the Appendices (Composition of Capital Disclosure Requirements) more clarity should be made on where the disclosures should be made (website or annual report). 	GR1	<p>The instructions to the template state the following: Banks' disclosures required by this document must either be included in banks' published Annual Reports or on their website.</p>

Industry Comments: Islamic Wholesale Banks		
General Comments:	Ref	CBB's Response
<p>A bank noted that they are preparing their financials in accordance with AAOIFI which does not require preparation of comprehensive income statement.</p>	GR1	<p>The rule clearly states that disclosures to include the statement of comprehensive income where applicable. Although AAOIFI does not require to prepare a statement of comprehensive income, some banks in Bahrain disclose their comprehensive income in the financials notes.</p>
<p>A bank noted the following:</p> <ul style="list-style-type: none"> • FEB supports additional disclosures in the interests of transparency and good governance practice. <p>Some inconsistency of definitions is apparent in the Rulebook, and it would be preferable for</p>	GR2	<p>This will be clarified to explain that the Rules apply to all approved persons (as defined in the Glossary), and this term will be qualified where necessary.</p>

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<p>these to be centralized in the Glossary. For example, EN-5.1.4 cross-refers to a definition of ‘manager’ in LR-1A which is no longer there.</p>		
<p>A bank noted that the definition of “Sponsor” has not been defined; even the same is not available in the Glossary of the CBB Rulebook.</p>	<p>GR3</p>	<p>Sponsor is defined in the following Paragraph:</p> <p>PD-1.3.26B Securitisation exposures include, but are not restricted to securities, liquidity facilities, protection provided to securitisation positions, other commitments and credit enhancements such as cash collateral accounts and other subordinated assets. A bank would generally be considered a sponsor if it, in fact or substance, manages or advises a securitisation programme, places securities into the market, or provides liquidity and/ or credit enhancements. The programme may include, for example, ABCP Conduit Programmes and structured investment vehicles. SPVs may include money market mutual funds, and personal and private trusts.</p>

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Specific Comments: Islamic retail Banks			
Reference to the draft Directive:	Comments	REF	CBB's Response
PD-A.2.12 With effect from 30th June 2016, Bahraini Islamic bank licensees must disclose the full terms and conditions of all outstanding regulatory capital instruments on their website.	A bank noted that further clarification is needed in respect of disclosing all outstanding regulatory capital instruments on the bank's website. Such information is already available in the Public Disclosure Report which is published on the bank's website. Does the Rule require a separate section on the Bank's website or is disclosure within the PD report sufficient?	SP1	Outstanding regulatory capital instruments shall be disclosed as presented in Appendix PD 3. As long as the bank follows the prescribed format for reporting the regulatory capital instruments, it can choose where it wishes to report this information and in line with the instructions stated under ref GR1.
PD-A.3.2 If a bank considers that disclosure of certain information required in Section PD-1.3 may prejudice seriously its position by making public information that is either proprietary or confidential in nature, it may not disclose those specific items, subject to the prior approval of the CBB. In such situations, the CBB may require the disclosure of more general information about the subject matter of the requirement, together with the fact that, and the reason why, the specific items of information have not been disclosed. This limited exemption is not intended to conflict with the disclosure requirements under IFRS or AAOIFI.	A bank noted that Para PD-A.3.2 allows banks to seek exemptions from disclosing certain critical issues. This defeats the whole purpose of Public Disclosures and should not be encouraged. If at all, the rule must require the Bank to clearly indicate in their Annual Report that the Bank has received exemptions from CBB in respect of certain disclosures.	SP2	Agreed. This guidance paragraph will be removed from both Volumes 1 and 2.
PD-1.2.3 Banks must publish extracts from their annual	A bank noted that the statement of comprehensive income is not required under FAS 1 and therefore,	SP3	The rule clearly states that disclosures to include the statement of comprehensive income where

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<p>audited financial statements in one Arabic and one English daily newspaper within 2 months of the end of the financial year. The newspaper disclosures may be edited so that notes are not included, but must include at a minimum the statement of financial position (balance sheet), the statements of income, cash flow and changes in equity and where applicable, the statement of comprehensive income. The newspaper disclosures must be placed on the bank’s website within one week of publication.</p>	<p>should be removed from the Rule.</p>		<p>applicable. Although AAOIFI does not require to prepare a statement of comprehensive income, some banks in Bahrain disclose their comprehensive income in the financials notes.</p>
<p>PD-1.2.6 All Bahraini Islamic bank licensees must submit their full printed annual report to the CBB, including the full disclosures and appendices prescribed in this Chapter within 4 months of the end of the bank’s financial year.</p>	<p>A bank noted the following: 1. We suggest submission of a soft copy version of the annual report to the CBB instead of a printed copy. 2. The submission deadline in PD-1.2.1 is 3 months which is inconsistent with this Rule (PD-1.2.6). PD-1.2.1 to be amended to 4 months as well.</p>	<p>SP4</p>	<p>1. Agreed to allow banks the option to submit a ‘soft copy’ of the annual report to the CBB since Article 286 iii. of the CCL simply requires that a copy of the annual report but does not specify in what format this is to be submitted. 2. Article 62 of the CBB Law (also under PD-1.2.1) deals with the submission of financial statements – not the Annual Report. The extra month is to allow for the printed time for the hard copy of the annual report.</p>
<p>PD-1.3.10 The following information relating to corporate governance must be disclosed in</p>	<p>A bank noted that the disclosure requirement on performance linked incentive structure is extended to include Managers. For purpose of this</p>	<p>SP5</p>	<p>Will amend that reference be made to ‘approved persons’ who are eligible to receive performance-linked incentive remuneration.</p>

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<p>the annual report: (d) Descriptive information on the performance-linked incentive structure for the Chief Executive, the General Manager, Managers, (including but not limited to remuneration policies, executive compensation and stock options);</p>	<p>requirement, are ‘Managers’ defined anywhere under CBB rules to be clear on which personnel within the bank are expected to be covered under this title? If not, a standard definition from the regulator will be required, in order to understand their expectations under this disclosure requirement.</p>		
<p>PD-1.3.11 All banks must disclose on their website summary descriptive information on the types, forms, terms and conditions of the main features of all capital- and equity-related instruments and unrestricted investment accounts listed below in PD-1.3.12, PD-1.3.13 and PD-1.3.15, especially in the case of innovative, complex or hybrid capital instruments. Full details of the required disclosures are given in Appendix PD-3.</p>	<p>A bank noted that further clarification is needed in respect of disclosing the required information on the bank's website. Such information is already available in the Public Disclosure Report which is published on the bank's website. Does the Rule require a separate section on the Bank's website or is disclosure within the PD report sufficient?</p>	<p>SP6</p>	<p>See SP1</p>
<p>PD-1.3.28A All banks must disclose quantitative information on any material legal contingencies including pending legal actions, and a discussion and estimate of the potential liabilities, in addition to qualitative statements about how banks manage and control such</p>	<p>A bank seeks further clarity in item PD – 1.3.28A. Furthermore, they need to know what the definition of materiality is within this context and the level of details that the CBB is expecting banks to disclose.</p>	<p>SP7</p>	<p>Note that this Paragraph will be deleted as the contents are covered under PD-1.3.29 (d) and PD-1.3.30 (c).</p>

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risks.			
<p>PD-1.4.4 For the purpose of the disclosure required under Paragraph PD-1.4.3, any interests in the shares of a bank held by the spouse(s) or children of an approved person, or any other person the control of whose interests in such shares lies ultimately with the approved person, shall be deemed to be the interests of the relevant approved person. For a definition of ‘interest in the shares’, see Paragraph PD-1.1.2(d).</p>	<p>A bank noted the following: Are the banks required to disclose the shares granted to approved persons as part of their variable bonus? In all cases, we suggest to introduce a threshold where we will only disclose any holding above 5%.</p>	SP8	<p>Yes, approved persons “bonus shares” shall be adequately disclosed regardless of % held of such shares.</p>
Specific Comments: Islamic Wholesale Banks			
<p>Reference to the draft Directive:</p>	<p>Comments</p>	<p>REF</p>	<p>CBB’s Response</p>
<p>PD-1.1.2 For the purpose of this Chapter, the following definitions apply: (a) Approved person means any person occupying a controlled function as outlined in Section LR-1A.1; (b) ‘Interest in the shares’ shall include, but not be limited to, direct and/or indirect ownership of such</p>	<p>A bank noted that the deletion (not marked in the pdf) of several definitions, including ‘Chief Executive/General Manager’ and ‘Manager’, creates a number of interpretation problems. ‘Manager’ may perhaps have been deleted in an attempt to fix another long-standing inconsistency. Until November 2013 there were 2 conflicting provisions in different Modules, where:</p>	SP1	<p>This will be clarified to explain that the Rules apply to all approved persons, and this term will be qualified where necessary.</p>

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<p>shares, the right of voting associated with such shares, the right to receive dividends payable on such shares, and/or any right, regardless of the form thereof, to purchase (or otherwise acquire an interest in) such shares at any time; (c) ‘Audited financial statements’ refers to the financial statements required under International Financial Reporting Standards; and (d) ‘Annual Report’ refers to the document which contains the full audited financial statements and accompanying notes as well as any accompanying commentary by the senior officials of the bank.</p>	<ul style="list-style-type: none"> • LR-1A.1.8 defined “Senior Manager” as “a person who, under the immediate authority of a Director or the Chief Executive/General Manager, exercises major managerial responsibilities, is responsible for a significant business or operating unit, or has major managerial responsibility for maintaining accounts or other records of the licensee”; and • PD-1.1.2(c) defined “Manager” in exactly the same way – “a person who, under the immediate authority of a director or the chief executive/general manager, exercises major managerial function(s) or is accountable for maintaining accounts or other records of the applicant/licensed bank” <p>In the Rulebook update of November 2013, Module LR was amended so that “Senior Manager” ceased to be a controlled function (and the definition was deleted) and “Heads of Other Functions” was added. The definition of “Manager” in Module PD was left untouched.</p> <p>Titles like ‘manager’ and ‘senior manager’ can be confusing because in some institutions these are very low level positions. It would be more helpful to define the characteristics that apply for each title used.</p> <p>The definitions of ‘Chief Executive/General</p>		
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	Manager’ and ‘Manager’ should be restored in PD-1.1.2 (or, in light of the opening general point, in the Glossary which now has a definition of “Senior Manager/Management” – i.e. “individuals occupying the position of CEO or head of function”.		
PD-1.3.10 The following information relating to corporate governance must be disclosed in the annual report: (d) Descriptive information on the performance-linked incentive structure for the Chief Executive, the General Managers, Managers, (including but not limited to remuneration policies, executive compensation and stock options);	A bank noted that the term “Managers” should be defined as in the Bank managers are not senior staff.	SP2	Please refer to comment under SP1
	A bank noted that Paragraph (b) cross-refers to PD-1.1 for a definition of ‘senior manager’, but there is no longer any such definition there. Also, while ‘senior managers’ are specified here, in (d) the net widens to catch all ‘managers’. There should be more consistency in this regard.	SP3	Please refer to comment under SP1
PD-1.3.26A All Bahraini Islamic bank licensees must disclose the following qualitative information with respect to securitisation activities: ...	A bank noted the following: Reference to point PD-1.3.26A, clarification is required on the following: Does “Securitization” apply to: a) Fund raised by issuing shares to investors in an SPV that then used to finance acquisition of an underlying asset(s); b) Fund raised by issuing shares to investors in an SPV that then used to own shares in the acquired underlying asset(s); c) When the CBB Licensee is acting as sponsor only	SP4	Each contractual arrangement must be reviewed on a case by case basis to establish if securitisation applies. This Rule will be withdrawn for now as further research is required to establish the proper application for Islamic banks. There is also a new Securitisation Law in the process of being developed.

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	d) When the CBB Licensee is acting as Investment Manager only		
<p>PD-1.3.27 Banks must disclose the following items: (a) The general qualitative disclosure requirements for market risk (PD-1.3.21), identifying the concerned portfolios (special mention must be made of assets that do not have a ready market and/or which are exposed to high price volatility); and (b) The capital requirements for each category of the market risk items below on an end period basis, as well as showing the maximum and minimum values during the period: (i) Equity position risk; (ii) Market risk on trading positions in sukuk; (iii) Foreign exchange risk (i.e. net open position); and (iv) Commodity risk (i.e. price risk); on an end period basis, as well as showing the maximum and minimum values during the period for each category of market risk shown above; and (c) The disclosures under Subparagraph PD-1.3.27 (b) must be followed by detailed</p>	<p>A bank noted that In paragraph (b), should disclosure be on an individual basis or aggregate (portfolio) basis? There could be significant swings on two securities in a single portfolio that balance each other out leaving the portfolio value unchanged.</p>	<p>SP5</p>	<p>For Paragraph (b), the capital requirements for each of the following risks must be disclosed: (i) Equity position risk; (ii) Market risk on trading positions in sukuk; (iii) Foreign exchange risk (i.e. net open position); and (iv) Commodity risk (i.e. price risk)</p> <p>Within each risk the aggregate capital requirement must be disclosed for all portfolios.</p>

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<p>quantitative information about the nature and extent of profit-rate sensitive assets and liabilities and off-balance sheet exposures (e.g. breakdown of fixed and floating rate items and the net profit rate margin earned, and the duration and effective profit rate of assets and liabilities). These disclosures should be by each portfolio identified in Subparagraph PD-1.3.27 (a), showing their related gains and losses. Also, the effect on the value of assets, liabilities and capital for a 200bp change in profit rates should be disclosed.</p>			
<p>PD-1.3.28A All banks must disclose quantitative information on any material legal contingencies including pending legal actions, and a discussion and estimate of the potential liabilities, in addition to qualitative statements about how banks manage and control such risks.</p>	<p>A bank noted the following: Can it be clarified what is meant by ‘quantitative’? ‘Qualitative’ may be more appropriate? Is the provision necessary at all, as the same thing is stated a few paragraphs below in PD-1.3.30(c).</p>	<p>SP6</p>	<p>Agreed to delete PD-1.3.28A as the items are covered under PD-1.3.29 (d) and PD-1.3.30 (c) (as amended below)</p> <p>PD-1.3.28A All banks must disclose quantitative information on any material legal contingencies including pending legal actions, and a discussion and estimate of the potential liabilities, in addition to qualitative statements about how banks manage and control such risks.</p> <p>Operational Risk Qualitative Disclosures PD-1.3.29 The following additional qualitative disclosures (to Paragraph PD-1.3.21) should be made for operational risk: (a) Policies to incorporate operational risk measures into the management framework- for example</p>

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			<p>budgeting, target-setting, and performance review and compliance;</p> <p>(b) Policies and processes:</p> <p>(i) To help track loss events and potential exposures;</p> <p>(ii) To report to these losses, indicators and scenarios on a regular basis; and</p> <p>(iii) To review the reports jointly by risk and line managers; and</p> <p>(c) Policies on the loss mitigation process via contingency planning, business continuity planning, staff training and enhancement of internal controls, as well as business processes and infrastructures.</p> <p>(d) Statement of how banks manage and control operational risks arising from pending legal actions.</p> <p>Operational Risk Quantitative Disclosures</p> <p>PD-1.3.30 The following quantitative disclosures should be made for operational risk:</p> <p>(a) The calculation of the capital charge or RWA equivalent for operational risk;</p> <p>(b) Indicators of operational risk exposures, such as:</p> <p>(i) Gross income;</p> <p>(ii) Amount of non-Shari'a- compliant income; and</p> <p>(iii) Number of Shari'a violations that were identified and reported during the financial year; and</p> <p>(e) Any material legal contingencies including pending legal actions. This should a discussion and estimate of the potential liabilities, in addition to qualitative statements about how the bank manages and controls such risks.</p> <p>(c) Material legal contingencies including pending legal actions, and a discussion and estimate of the potential liabilities.</p>
<p>PD-3.1.6 In addition to the requirements of Paragraphs PD-3.1.1 to PD-3.1.5, the following requirements apply to the Semi-Annual financial statements posted on banks'</p>	<p>A bank noted that uploading on the website within 45 days when the submission to CBB is within 60 days. The dates don't match (I have raised this before in my email to the Licensing and Policy directorate)</p>	<p>SP7</p>	<p>Agreed.</p> <p>The requirement will be changed to 2 months to be in line with the submission to the CBB as per BR-2.2.3.</p>

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<p>websites. Banks must make all the quantitative disclosures required by section PD-1.3 in the half-yearly financial statements on their website, within 45 calendar days of the end of the half-yearly financial statements, but the qualitative disclosure requirements of the Paragraphs listed below may be dispensed with at the option of the bank in their half-yearly statements: (a) PD-1.3.9 (a) and (b); (b) PD-1.3.10 and PD-1.3.10A to PD-1.3.10G; (c) PD-1.3.16; (d) PD-1.3.21-22; (e) PD-1.3.25 (a); (f) PD-1.3.26 (a); (g) PD-1.3.26A (a) to (c); (h) PD-1.3.27 (a); (i) PD-1.3.29; (j) PD-1.3.31 (a); (k) PD-1.3.32; (l) PD-1.3.34; (m) PD-1.3.36; (n) PD-1.3.39.</p>			
Specific Comments: Audit Firms			
Reference to the draft Directive:	Comments	REF	CBB's Response
<p>PD-1.1.2 For the purpose of this Chapter, the following definitions apply: (a)</p>	<p>An audit firm noted that the CBB has used the word approved person instead of Director, CEO or manager. Is the use of the word “approved” implies</p>	<p>SP1</p>	<p>Approved person, as per LR 1A.1.2, includes board members, CEO and head of functions. Thus, the term approved include the persons in</p>

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<p>Approved person means any person occupying a controlled function as outlined in Section LR-1A.1; (b) ‘Interest in the shares’ shall include, but not be limited to, direct and/or indirect ownership of such shares, the right of voting associated with such shares, the right to receive dividends payable on such shares, and/or any right, regardless of the form thereof, to purchase (or otherwise acquire an interest in) such shares at any time; (c) ‘Audited financial statements’ refers to the financial statements required under International Financial Reporting Standards; and (d) ‘Annual Report’ refers to the document which contains the full audited financial statements and accompanying notes as well as any accompanying commentary by the senior officials of the bank.</p>	<p>delegation of authority to a wider range of people involved in controlled function only?</p>		<p>controlled functions.</p>
<p>PD-1.2.3 Banks must publish extracts from their annual audited financial statements in one Arabic and one English daily newspaper within 2</p>	<p>An audit firm noted that the statement of comprehensive income is not a requirement under AAOIFI. Therefore, whether an Islamic licensee is required to produce OCI statement?</p>	<p>SP2</p>	<p>The rule clearly states that disclosures to include the statement of comprehensive income where applicable. Although AAOIFI does not require to prepare a statement of comprehensive income, some</p>

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<p>months of the end of the financial year. The newspaper disclosures may be edited so that notes are not included, but must include at a minimum the statement of financial position (balance sheet), the statements of income, cash flow and changes in equity and where applicable, the statement of comprehensive income. The newspaper disclosures must be placed on the bank’s website within one week of publication.</p>			<p>banks in Bahrain disclose their comprehensive income in the financials notes.</p>
<p>PD-1.3.7 The aggregate amounts (current book value) of the bank’s total interests in insurance entities, which are risk-weighted rather than deducted from capital or subjected to an alternate group-wide methodology, as well as their name, their country of incorporation or residence, and the proportion of voting power in these entities. In addition, banks must disclose the quantitative impact on regulatory capital of using this method versus the deduction or alternate group-wide method.</p>	<p>An audit firm noted that this regulation is related to Scope of Application – Quantitative Disclosures. The suggested disclosure requirement wordings are not clear.</p>	<p>SP3</p>	<p>Missing wording. At the end of the first sentence “must be disclosed” shall be added.</p>

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<p>PD-1.3.10 The following information relating to corporate governance must be disclosed in the annual report: (d) Descriptive information on the performance-linked incentive structure for the Chief Executive, the General Manager, Managers, (including but not limited to remuneration policies, executive compensation and stock options); (w) The actual number of board meetings, attendance of committees' members and the work of committees and any significant issues arising during the period; (jj) Key features and objectives of the remuneration policy of the bank for board members, Shari'a Board and senior management as well as the frequency of review of the remuneration structure and the extent to which the policy is applicable to foreign subsidiaries and branches;</p>	<p>An audit firm noted the following:</p> <p>-In line with the requirements of HC Module related to "Remuneration Policy" it would be appropriate to refer Performance-linked incentive structure for the approved persons that includes Chief Executive, the General Manager and Managers.</p> <p>-Disclosure of minimum number of Board committee meetings per year compared to the actual number of board meeting provides relevant and quality information so as to ensure the adherence with the requirements of law. Therefore, it should be included as it was in the previous PD Module.</p> <p>- Should the key features and objectives of the remuneration policy related to the approved person be also disclosed here.</p>	<p>SP4</p>	<p>This will be clarified to explain that the Rule apply to all approved persons eligible to receive performance linked incentive remuneration.</p> <p>-Suggest rewording to sub paragraph (w) (w) Minimum number of Board meetings compared with actual dates and number of board and committees meetings held during the financial year, individual attendance of each Director and the work of committees and any significant issues arising during the period;</p> <p>By doing so we will be able to deleted (t) & (u) (t) Meeting dates (number of meetings during the year); (u) Attendance of directors at each meeting;</p> <p>Will also delete subparagraph (p) which requires number and names of independent board members and add this information to the requirement under Subparagraph (a)</p> <p>-Yes, key features and objectives of the remuneration policy related to approved persons and Shari'a Board shall be disclosed.</p>
<p>PD-1.3.11 All banks must disclose on their website summary descriptive</p>	<p>An audit firm noted the following:</p> <p>Is the suggestion solely to disclose on the Bank's</p>	<p>SP5</p>	<p>Banks must ensure to use the template presented</p>

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<p>information on the types, forms, terms and conditions of the main features of all capital- and equity-related instruments and unrestricted investment accounts listed below in PD-1.3.12, PD-1.3.13 and PD-1.3.15, especially in the case of innovative, complex or hybrid capital instruments. Full details of the required disclosures are given in Appendix PD-3.</p>	<p>website or is it to be part of PD?</p>		<p>in Appendix PD 3 to disclose outstanding regulatory capital instrument.</p> <p>The instructions to the template state the following: Banks’ disclosures required by this document must either be included in banks’ published Annual Reports or on their website.</p>
<p>PD-1.3.17 All banks must disclose the regulatory capital requirements for credit risk by each type of Islamic financing contract and for securitisation exposures (usually sukuk).</p>	<p>An audit firm noted that securitization exposures should be made clear.</p>	<p>SP6</p>	<p>The Rules related to securitisation disclosure will be withdrawn for now as further research is required to establish the proper application for Islamic banks.</p> <p>There is also a new Securitisation Law in the process of being developed.</p>
<p>PD-1.3.27 Banks must disclose the following items: (b) The capital requirements for each category of the market risk items below on an end period basis, as well as showing the maximum and minimum values during the period: (i) Equity position risk; (ii) Market risk on trading positions in sukuk; (iii) Foreign exchange risk (i.e. net open</p>	<p>An audit firm noted the following: Why the same requirement of showing the maximum and minimum values during the period is also repeated in the following highlight paragraph?</p>		<p>Agreed to delete repetition</p> <p>PD-1.3.27 Banks must disclose the following items: (b) The capital requirements for each category of the market risk categories presented below: (i) Equity position risk; (ii) Market risk on trading positions in sukuk; (iii) Foreign exchange risk (i.e. net open position); and (iv) Commodity risk (i.e. price risk);</p>

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<p>position); and (iv) Commodity risk (i.e. price risk); on an end period basis, as well as showing the maximum and minimum values during the period for each category of market risk shown above; and</p>	<p>Is it appropriate and not considered as a classified information to provide the detailed quantitative information about the nature and extent of profit-rate sensitive assets and liabilities and off-balance sheet exposures (e.g. breakdown of fixed and floating rate items and the net profit rate margin earned, and the duration and effective profit rate of assets and liabilities)?</p>		<p>on an end period basis, as well as showing the maximum and minimum values during the period for each category of market risk shown above; and</p> <p>-The requirement is in line with the Basel requirement and is required for transparency purposes for all banks.</p>
<p>PD-1.3.28A All banks must disclose quantitative information on any material legal contingencies including pending legal actions, and a discussion and estimate of the potential liabilities, in addition to qualitative statements about how banks manage and control such risks.</p>	<p>An audit firm noted the following: If material legal contingency /estimates of potential liabilities is quantified, can it continue to be off balance sheet?</p>	<p>SP7</p>	<p>This should be done in accordance with accounting standards, in particular with reference to IAS 37 which states that contingent liabilities are not recognized as liabilities because they are either:</p> <ul style="list-style-type: none"> a) Possible obligations, as it has yet to be confirmed whether the entity has a present obligation that could lead to an outflow of resources embodying economic benefits; or b) Present obligations that do not meet the recognition criteria in IAS 37 (either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a sufficiently reliable

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			estimate of the amount of the obligation cannot be made). Note that this paragraph will be deleted as the requirements are covered under PD-1.3.29 (d) and 1.3.30 (c).
PD-4.3.3 [This Paragraph was deleted.]	An audit firm noted that the meaning of conspicuous should be included so that the requirements under PD-4.3.2 are not misinterpreted.		Conspicuous notice is now a defined term and is linked to the Glossary where the definition can be found. Per the Glossary: ‘Conspicuous notice’ means a written statement in both Arabic and English languages which is easily visible and legible and is displayed in all retail banks' premises open to the public.
Section PD-4.4 Disclosure Relating to Deposit and Unrestricted Investment Accounts Protection Scheme	An audit firm noted that although the regulation is named as URIA but it needs to be changed to “Equity of Investment Account Holders” in accordance with the requirements of AAOIFI.	SP8	This is in accordance with Resolution No (34) of 2010.
PD-5.1.2 Non-listed Bahraini Islamic wholesale bank licensees may apply to the CBB to disclose their quarterly financial statements via the internet. If a bank wishes to cease disclosure of quarterly financial statements via the local press, it must satisfy the following criteria: (a) The bank has no shareholders resident in Bahrain; (b) The bank has no customers	An audit firm noted the following: Is this relaxation only available to the wholesale bank licensees?	SP9	Only available to wholesale banks as these are the only banks that would be able to meet the various conditions in the rule.

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<p>resident in Bahrain. Customers include borrowers, depositors, investment account holders or persons from whom the bank earns fees or commissions. ‘Customers’ in this context would not include other banks, but would include Bahraini corporations, the Government of Bahrain and its agencies, and private individuals (whether high net worth or not); and (c) The bank does not market itself in any way to residents of Bahrain. In particular, the bank must not market funds or other financial products to residents, even if the bank has no on balance sheet assets or liabilities arising from Bahraini residents.</p>			
<p>PD-5.1.3 Banks meeting the requirements of Paragraph PD-5.1.2 may apply to the CBB to disclose their quarterly financial statements by way of their website instead of by way of the local press.</p>	<p>An audit firm noted the following: Is this paragraph really required? because the requirements has been already mentioned to apply for exemption from the CBB in PD-5.1.2</p>	<p>SP10</p>	<p>Agreed. To delete the guideline under PD 5.1.3.</p>