



# The Review

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## CBB Governor Points to Opportunities Borne out of Adversity in Banking Conference Opening Speech

The opportunities for the GCC banking sector created by the global financial crisis was the theme of CBB Governor HE Rasheed Mohammed Al Maraj as he addressed the opening of the ninth GCC Banking Conference, held under the patronage of His Highness the Prime Minister Shaikh Khalifa bin Salman Al Khalifa at the end of March 2009. Mr. Al Maraj, pointed to, “Huge financial reserves, a banking system with a strong capital base, a developed basic infrastructure, an active and diversified private sector, and a host of economic

reform programmes” as distinguishing features of the GCC economies as they confront global challenges to emerge stronger from the fall out. In ensuring that the negative effects on local economies are minimised and contained Mr. Al Maraj drew delegates’ attention to the commitment by GCC nations to maintain increased spending levels and to support the banking systems. He also pointed to the increased need to constantly monitor the banking systems and ensure the health of the region’s financial institutions to protect against loss of investor confidence

in the GCC. “The banking regulatory agencies have a major responsibility to follow business developments, make risk management more effective and achieve the highest degree of transparency” Mr. Al Maraj noted, if GCC economies are to truly become global destinations for investment. Most international media comment on the global financial crisis has tended to focus on apportioning blame for the crisis, and recriminations are often personally directed at banking chiefs. Not so for the GCC central banks who used the conference to explore the vision for

the future and benefit from the opportunities that are beginning to present themselves. “There is a great opportunity to identify the points of weakness in the banking system, address them, consolidate regulation, and improve risk management in the region” Mr. Al Maraj told GCC central bank governors. Mr. Al Maraj highlighted how the increasing focus on Islamic banking will help to establish it on a global level, with it having so far escaped much of the negative impact of the financial crisis. He pointed out that “the Kingdom of Bahrain has always worked to

support and develop this industry and enable it to have a global reach, hence the increasing importance of applying all international banking standards in terms of corporate governance, risk management and disclosure requirements.” The banking conference was hailed as a resounding success, with speakers including world renowned experts such as Harvard University Economics Professor Dr. Martin Feldstein who delivered a keynote address on “Government Intervention during the Financial Crisis.” The event, which attracted 350 participants from the GCC, Middle East, North America, Europe, Asia and Russia benefitted from the support of a number of top financial organisations. These included The National Bank of Bahrain as exclusive Elite sponsor, Gold sponsors; Al Salam bank, Al Ahli Bank, Silver sponsors; Kuwait Finance House, Unicorn Investment Bank, and First Energy Bank. Robeco was the Knowledge Partner while GBCorp, JP Morgan and Khaleeji Commercial Bank were named as function sponsors. Bahrain Islamic Bank, Elaf Bank, Venture Capital Bank and Bahrain Finance Harbor were named as Bronze sponsors. The conference facilitated lively debate on topics such as; “the outlook for the GCC economy”, “developments in GCC banking”, “developments in GCC capital and financial markets”, “the Global Financial Crisis; lessons for the industry”, “developments in GCC monetary union”, and “the opportunities for Sharia’a compliant finance” before concluding with a session for GCC central

bank governors and monetary agencies. When asked about the success of the event, Shaikh Salman bin Isa Al Khalifa, Head of the Organising Committee and Executive Director of Banking Operations at the CBB commented, “This ninth GCC Banking Conference has focused largely on understanding the lessons that the last year of financial turmoil have taught us. The GCC has a major role to play as a dominant global economy and our nations are becoming more competitive and attractive to foreign investment. This is testament to the work being done to develop local economies through financial services, real estate, infrastructure and tourism. However it goes a lot further”. He noted, “From a regulatory perspective we are working tirelessly to ensure that our systems reflect the growing complexities of the financial markets which will make Bahrain yet more attractive to foreign companies looking to benefit from the long term economic development within the Kingdom.” Bahrain’s banks observe a minimum capital adequacy ratio of 12% which is among the highest in the region and loan to deposit ratios are also very closely monitored. This means that the Kingdom has tried to strike the right balance between constraining banks from taking excessive risks whilst allowing them to function profitably – always a difficult balance to reach. With a Central Bank determined to keep its finger on the collective pulse of the markets which it governs and playing a supporting role in Bahrain’s 2030

economic vision, businesses and individuals should have a lot to be confident about.



“ From a regulatory perspective we are working tirelessly to ensure that our systems reflect the growing complexities of the financial markets ”

- Shaikh Salman bin Isa Al Khalifa, Head of the Organising Committee and Executive Director of Banking Operations at the CBB



## Bahrain Shows its Experience in Managing Liquidity Through Islamic Finance at Paris Forum

In a world which has seen the financial services market become increasingly competitive and globalised, it is little wonder perhaps that when the credit crunch took hold, the impact on the market was both swift and severe. One of the many issues highlighted was the need for effective and secure economic solutions; in the public eye we had government bail outs on an unprecedented scale, yet gathering momentum is the view that Islamic finance is a viable alternative. In March this year, the CBB participated in the 3rd Islamic Financial Services Forum in Paris focusing on the challenges in managing liquidity in the Islamic Financial Services industry. Collaboration between the Islamic Financial Services Board, the Financial Stability Institute and the Banque de France saw many senior figures from the regional and international financial sector attend the one day event. The event focused on discussing the risks associated with liquidity, risk management and infrastructure within Islamic Financial Services. At this event, Executive Director of Banking Supervision at the CBB, Mr. Khalid Hamad presented a case study highlighting Bahrain’s experience within the sector. Mr. Hamad focused on the

CBB’s treasury management approach highlighting on its non profit but asset funding function, in a manner compliant with Sharia’a principles. This is dominated by synthetic commodity murabaha and reverse murabaha and a short sukuk programme based on corporate and sovereign sukuk. In order to maintain liquidity in the Bahrain money markets, the CBB regularly issues short and long term sukuk with maturities ranging from three months to ten years. The CBB’s regulatory approach also demonstrated the Kingdom’s experience in managing liquidity in the Islamic Financial Services Industry through its stock based liquidity requirements. These requirements in addition to cash, central bank balances and marketable securities count commodity murabaha within one month as a liquid asset. Commodity murabaha will also count alongside URIA, current accounts and term borrowings as a qualifying liability. Commenting on the forum, Mr. Hamad said, “The Financial Services Industry needs to come together and share its knowledge, in particular on Islamic finance. By doing this we can develop common workable approaches to an international standard, which will help demystify the sector to many. In Bahrain we have

great experience in Islamic finance and we are proud to be able to share our successes with the wider industry.”

“ In Bahrain we have great experience in Islamic finance ”

- Mr. Khalid Hamad Executive Director of Banking Supervision at the CBB



# Progressive Regulation and Regional Banking Opportunities are Drivers for Long Term Prosperity

“The CBB is one of the most progressive regulators in the MENA region.”

- Jean-Christophe Durand  
BNP Paribas Regional Director.

2008 was a heady year for GCC economies, buoyed by frenzied deal flow and vast petrodollar revenues. However 2009 and 2010 in all likelihood are going to be very different propositions. Waking up in a post Lehman Brothers world, two things come to light; the need for greater levels of market regulation, and the speed at which confidence in an economy can change. Looking to regulation as a stabiliser, the response of the Central Banks will play a key role in rejuvenating business. Fallout from Wall Street and the City of London has prompted calls for greater levels of corporate transparency and monitoring and the CBB has been working with industry to develop effective regulation which still enables business to grow and develop in the Kingdom. Yet is regulation enough? For international companies setting up operations in the

region, they need to be able to attract talent to relocate as well as being able to recruit locally from a skilled workforce. It helps then that Bahrain offers a welcoming environment for expats and a high standard of living. “The CBB is one of the most progressive regulators in the MENA region and takes into consideration the needs of businesses,” says Jean-Christophe Durand, BNP Paribas Regional Director. “We chose Bahrain as our regional hub, not only because of its regulator but also because of its liberal business environment, competitive costs, attractive lifestyle, and availability of skilled local staff.” Thinking from a regional perspective, the increasing wealth of the GCC and its continuing emergence as an economic powerhouse drives the need for an effective financial services industry. Speaking at the Banker Middle East Industry Awards



in June this year in Bahrain Shaikh Mohammed bin Essa Al Khalifa, Chief Executive of the Bahrain Economic Development Board highlighted these factors as opening up a new range of banking opportunities. With an audience of over 250 banks, his speech reminded the attendees of the need for a safe and attractive banking environment developed between the regulators and the industry itself to make business more accessible. Bahrain is the most established financial centre in the Gulf, and as the GCC moves closer to becoming a single market the industry will need to develop to cater for its clients increasingly sophisticated needs and requirements. Nowhere has been totally immune from the financial crisis, but the lessons from the west are free for the Middle East to learn which will allow

the region's banking industry to continue to flourish. Widely regarded as one of the best and most comprehensive regulators in the region the CBB will play a key role in building the sustainability and prosperity of the Kingdom and this will be a significant attraction for enterprises looking to grow their businesses from Bahrain.

# After the Crisis, Long Term Steady Growth Beckons for the GCC

While the effects have been more widely felt in the west, the global crisis has not spared the Middle East, the IMF said in its World Economic Outlook Crisis & Recovery, April 2009. The region has been affected by a fall in oil prices from their mid 2008 highs and many of the local equity markets have seen investors seek comfort in cash, but what does this mean for the GCC as we enter the second half of 2009 and look to 2010 and beyond? The Middle East Economic Digest, MEED, summed up its views in its report, A Short, Sharp Shock: Economic Outlook for the GCC in 2009-10. Factors cited for the pressures faced by the GCC include dollar volatility, a flight from equities, a liquidity squeeze, the global real estate crash, a slump in tourism and aviation and lower volumes of world trade. So despite the shift from unchecked optimism into negative sentiment, we should hold out some hope of a quick recovery moving into 2010 and beyond. The signs are there that GCC economies have the ability to fund continued growth despite lower oil prices. Bear in mind that “Bahrain's economy has increased in nominal terms by more than 150% since 2002” – A Short, Sharp Shock: Economic Outlook for the GCC

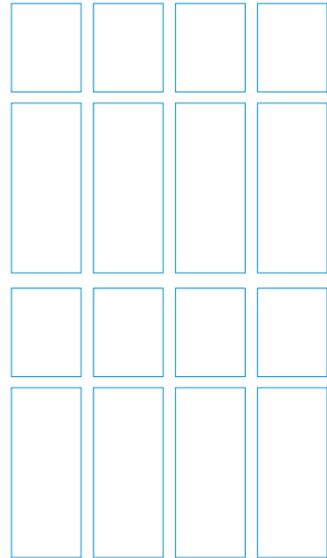
in 2009-10. In fact Bahrain has a real opportunity to step forward from the current climate, the Kingdom was ranked by The World Bank at 18th for doing business with last year, and with what appears to be a growing specialism in Islamic finance it can really make a name for itself on the international stage. This opportunity will be supported by the opening of the Bahrain Financial Exchange (BFX) at the beginning of 2010. The BFX will be internationally accessible and also comprise an international standard training academy for the region, and it is this ambition within the Kingdom which has made it home to over 400 licensed financial institutions. Government surpluses across the GCC, accumulated during the boom years, will be used to sustain domestic growth through investment in infrastructure projects, which, in conjunction with forecasts of continued solvency for the region, should point towards a quick recovery in 2010, according to the MEED report. As the financial crisis took hold we have witnessed swift policy responses in order to maintain and shore up confidence in the markets. Perhaps more than ever the populations of the GCC are looking to their respective governments for guidance

in what is shaping up to be their biggest test following years of prosperity. In fact the IMF is of the view that Central Banks have acted appropriately by providing much needed liquidity to the system, and that those countries pegged to the dollar should benefit from monetary easing in the USA. Moving forward, it is plain to see that the world's financial compass is pointing towards the MENA region as a whole, given the size of its natural resources. One such commentator, Arif Naqvi, Group CEO of Abraaj Capital, the largest private equity firm outside of the western world, believes that the opportunities for the region are significant. In a lecture given at the Dubai School of Government in May 2009, he highlighted the similarities between the economies of the MENA region with those of South Asia to create a broader MENASA group. These economies with young, expanding and increasingly educated populations can fuel private sector growth across a range of sectors. The figures speak for themselves; The Economist Intelligence Unit in March of this year put the MENASA combined GDP at US\$3.2 trillion and growing at 5% per annum. The GCC plays a significant part in this and further forecasts from Goldman Sachs in November last year

predicted that the MENASA economy will be the second largest behind China by 2050 – it is already the second fast growing economy behind China (Economist Intelligence Unit March 2009). The major catalyst for the growth and success of the GCC up to now and into the future is regarded as a generational change in leadership leading to the modernization of local economies. In addition a number of economic free zones have encouraged further private sector investment along with the liberalisation and privatisation efforts in the banking, telecom and real estate sectors. With GCC governments laying out their long term visions for their markets, as long as measures are taken to continue investment in infrastructure and services, coupled with ensuring that the region remains a competitive and straightforward place to do business, then there is an optimistic future ahead.

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# Life Insurance is Main Contributor to Kingdom's Strong Sector Growth

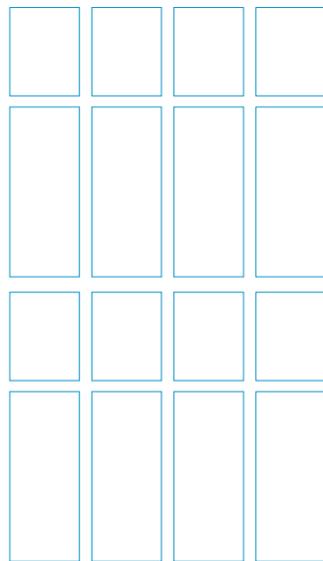


Mr. Abdul Rahman Al Baker, Executive Director, Financial Institutions Supervision, at the CBB

It is not just the healthy growth in the numbers of Bahrainis working in the insurance sector which is encouraging for the industry's development in the Kingdom. Currently, 62% of insurance workers are Bahraini nationals, up 14% from 2007, in an industry which has experienced its strongest annual growth rate for gross premiums, 34%, to BD 183.3m. The life insurance market represented some of the strongest growth in the sector with gross premiums growing by 38% to BD 51.98m. This is an industry with a high growth potential for the Kingdom, contributing to its economic vision for 2030 of a skilled and developed private sector, with a significant proportion of insurance businesses being locally incorporated. The CBB has taken part in a number of conferences and events this year, many of

which have focused on the Islamic banking sector and its growing importance to the modern financial era. This is also true of the Takaful market, which in Bahrain has experienced growth of 73% in gross contributions for 2008 taking it to a BD 27.2m industry. Combining a growing skilled workforce and innovative yet sustainable solutions, there is every indication that the local insurance market can maintain its progress. In laying out his vision for the sector, Mr. Abdul Rahman Al Baker, Executive Director, Financial Institutions Supervision, at the CBB expects "The insurance sector to continue its growth momentum in the coming years, mainly due to the increase in the public awareness on the importance of Life and Medical insurance as well as the introduction of new insurance products by

the existing insurance firms" According to CBB Director of Insurance Supervision, Mr. Nader Al Mandeel, "The CBB is committed to advancing the promising insurance sector by ensuring a clear and transparent regulatory framework and a business-friendly environment for insurance services providers." This approach is certainly paying dividends for Bahrain with players such as Hannover Re, Allianz, Legal & General, Life Insurance Corporation (LIC) of India, MedGulf and AXA operating in the Kingdom. These international corporations will play a key role in driving the expansion and the sophistication of the local insurance sector, further promoting Bahrain as a regional business centre.



“ This is an industry with a high growth potential for the Kingdom.”

# New CBB Rules to Tackle Market Abuse and Protect Investors

As any economy develops, so does the need for its regulatory framework to reflect the requirements and increasing sophistication of its participants. The Central Bank, in line with the Kingdom's Vision 2030 to diversify and build its economy by focusing on existing high potential sectors and more specifically, in its vision to establish a world class capital market infrastructure and deal flow, has as one of its initiatives to update the legal framework and develop capital market regulation within the Kingdom. In line with this initiative, the CBB has issued the Prohibition of Market Abuse and Manipulation Module,

which lays down the various types of prohibited market conduct as part of the development of the CBB Rulebook Volume 6 (Capital Markets). This module, which follows others issued during 2008 and the beginning of 2009, was issued for consultation to the market in February 2009 and became effective on 1st June 2009, and demonstrates the CBB's commitment to evolving its regulations to best serve the markets that they govern, and ensure that they reflect the continuing development of the Kingdom's capital markets. Whilst commenting on the new Module, Mr. Ali Salman Thamer, Director of the CBB's Capital Markets

Supervision Directorate said: "This Module highlights the great importance that the CBB places on fairness, transparency and investor protection. These continuing developments of CBB regulations to address market requirements and meet international standards helps to reinforce the position of Bahrain as the premier centre for the raising of capital in the region.



“ Bahrain as the premier centre for the raising of capital in the region. ”

- Mr. Ali Salman Thamer  
Director of the CBB's Capital Markets Supervision Directorate

# Strength Lies in CBB's Prudence

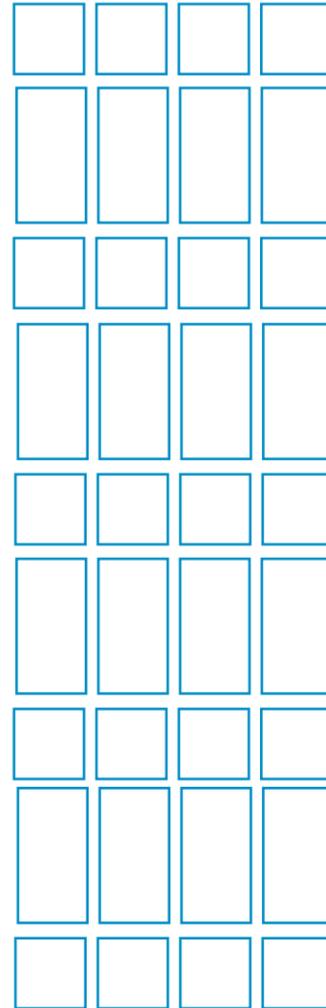
Speaking at a luncheon at the American Chamber of Commerce earlier in the year, gave CBB Governor, HE Rasheed M Al Maraj, the opportunity to highlight how Bahrain has been able to rise to the challenges presented by the global economic and financial crisis. In highlighting the collapse of Lehman Brothers late last year as the most significant event in the global financial crisis, Mr. Al Maraj was also able to point out that Bahrain, through the Central Bank, is working hard to ensure the long term growth and stability of the Kingdom. At a time when the world's banking sector is being blamed for recklessness and excessive risk taking, Mr. Al Maraj pointed out to the audience, "We are confident in the strength of our prudential regime. CBB rules and regulations and our directions to banks have constrained

excessive risk taking and we have ensured that banks are not over-exposed to any particular economic sector." In order to ensure ongoing liquidity in Bahrain's financial markets, the CBB has been quick to take decisive action. This has come in the form of extending the range of collateral it will accept from banks that need to borrow from the central bank, as well as the introduction of a new facility that allows banks to swap US dollars for Bahraini dinars without penalty. These policies have helped Bahrain's banks to withstand the turmoil in international money markets that had affected all regions of the world in the closing months of 2008. We must remember that whilst the major economies are expected to shrink, GCC economies are still predicted to grow, albeit at a slower rate than in recent years, so we have

much to be confident about. The relative stability of Bahrain's economy and financial system during the crisis has meant that the Kingdom has not been at the centre of attention and the efforts of the Central Bank have gone largely unnoticed in the international media. However, as Mr. Al Maraj pointed out; "Our initiatives may not have received a great deal of publicity, but they have nonetheless been effective."

**“ We are confident in the strength of our prudential regime. ”**

- HE Rasheed M Al Maraj  
CBB Governor



# Union of Arab Banks Conduct a Workshop on Risk Management in Islamic Banking

For two days in mid April this year, the CBB hosted at the Bahrain Institute for Banking and Finance, a workshop on Risk Management in Islamic Banking. This specialised workshop aimed to provide participants with the requirements, knowledge and culture of Islamic finance instruments with

regards to risk, mechanisms and tools of corporate governance. The workshop was conducted by experts such as Dr. Khalid Al Faikh, member of the AAOIFI Sharia'a Committees; Dr Anwer Soubra, Sharia'a Compliance Officer at Elaf Bank Bahrain and Dr. Mohammed Belgami, Assistant General Manager,

Risk Management & Compliance, Bahrain Islamic Bank. Islamic Finance is growing in stature on a global level, and it is important that the efforts of the CBB to instil sound corporate governance practices are fed into all disciplines of financial services, including this growing sector.

# 5<sup>th</sup> Annual World Islamic Funds and Capital Markets Conference

The CBB acted as strategic partner for the 5th World Islamic Funds & Capital Markets Conference in May this year held at the Gulf Hotel, Bahrain. This year the event was attended by a record 400 senior decision makers, further highlighting the importance that Islamic finance has to play in

mainstream banking. This event, celebrating excellence in the global financial markets with a gala dinner and awards ceremony, provided unrivalled networking opportunities with industry leaders, with attendees including; Reuters, Oxford Business Group, Abu Dhabi Islamic Bank, Ernst &

Young, Deutsche Bank and the Bahrain Association of Banks. Discussions at the event focused on promoting stability and strengthening the Islamic Investments Industry in addition to talks on reshaping the post-crisis market for Islamic investments.

# The Corporate Governance Code of the Kingdom of Bahrain: Fundamentals and Implementation

Under the patronage of the CBB, the Crowne Plaza in Bahrain provided the setting for a conference to discuss the Corporate Governance Code of the Kingdom of Bahrain covering fundamentals and implementation. The conference highlighted the pivotal role that the corporate sector has to play in propelling the economic growth within the Kingdom, provided that performance is carried out in a manner compatible with other economic goals. The new code will supplement, not replace,

the current Company Law and will be applicable to all companies incorporated under the Bahrain Commercial Law. The aim of the Code is to establish the highest standards of protection for investors and other company stakeholders through compliance with those standards. The Ministry of Industry and Commerce and the CBB is working to ensure that the Code is workable, transparent and understandable for both national and international companies.

# Education Can Support Growth in Takaful Market

In April 2008 the BIBF announced the launch of a unique takaful programme which would be accredited by the UK's Chartered Insurance Institute (CII), with the first exams held in October 2008. At the time of announcing, the CII hoped that this partnership would assist in fostering the growth of the Islamic Insurance Industry within the region. Fast forward to May 2009 and the ICMIF takaful network seminar held in Bahrain, where education was cited as a key driver in overcoming the challenges for growth in this sector of Islamic Finance. In a presentation delivered by Abdul Rahman Al Baker, Executive Director, Financial Institutions Supervision at the CBB, he highlighted that since 2004 global takaful contributions have increased at an average annual rate of

35%, clearly demonstrating that this is a sector with a great deal of potential. Within the Kingdom the opportunity is even more apparent when looking at the basic numbers. Bahrain is home to 7 of the world's 124 takaful companies, and in 2008 those companies received gross contributions of BD 25,000,000. With names such as AIG, Allianz and Legal & General having takaful operations in Bahrain it is easy to see that sentiment is pointing towards continued growth in the sector. Mr. Al Baker highlighted that this growth is being propelled by factors such as increases in Islamic Banking, growth in infrastructure projects, low insurance penetration and increased focus on regulatory initiatives. However, this growth is not without challenges namely, corporate governance issues

regarding policy holders, the need to standardise takaful accounting standards and disclosures and the lack of human resources. The way forward, Mr. Al Baker proposed, is to continue keeping standards updated and sufficient investment in their development and consistency, proper risk management and an increase in public awareness. The BIBF's takaful programme can make a huge impact on realising these opportunities for growing the market. As more professionals complete the qualification this will reduce, what Ernst & Young highlighted in its World Takaful Report 2009, as the lack of operational expertise in the takaful business. The big four external audit firms highlighted the need to develop local talent; a majority Muslim population

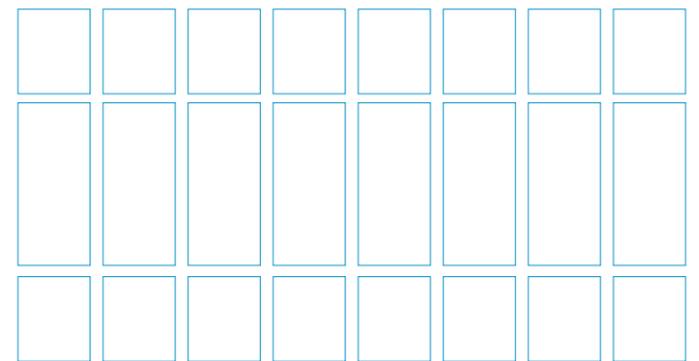


# MENA Insurance Supervisors Seminar



In March this year the CBB partnered with the Financial Stability Institute to host the 8th Regional Seminar for Supervisors in the MENA region, focusing on Capital Adequacy, Risk Assessment, and On-site Inspection. Commenting on the seminar, Mr. Nader Al Mandeel, Director,

Insurance Supervision at the CBB (pictured far left) said, "These seminars add considerable value and are essential for Supervisors, who are increasingly challenged by the increasing complexities of the financial world."



# Corporate Governance and ERM to Help Insurance Sector Grow and Protect Businesses and Policyholders

Speaking at a conference in May this year on Corporate Governance and Enterprise Risk Management; Current Challenges and the Financial Crisis, CBB Executive Director of Financial Institutions Supervision, Abdul Rahman Al Baker was quick to highlight their importance for the Kingdom. "Corporate Governance is of the utmost importance in the

supervision and regulation of all financial institutions" he went on to say while addressing delegates from the insurance industry. Narrowing the field from industry to the organisational level, good corporate governance is at the heart of ensuring the overall soundness of a company. Corporate governance centres on the relationships between a company's

management, its board, the shareholders, and other stakeholders. The CBB has been building its relationships with the insurance sector to develop a structured framework outlining the key requirements in its Rulebook for insurance companies operating in Bahrain. The requirements laid out are in line with the best international standards

as established by the International Association of Insurance Supervisors. The collapse of Lehman Brothers in 2008 and the well documented troubles at insurance giant AIG, have brought into sharper focus the need for Bahrain to have a sound regulatory system to support the increasing complexities of the world financial and insurance sectors. The CBB

is committed to developing a framework that will support and develop businesses in the Kingdom and over the past few years, a number of companies have come to Bahrain to explore growth opportunities. Of these, several have seen the great advantages in setting up their regional headquarters in Bahrain providing a platform to penetrate the significant markets across the region. The CBB's remit does, however, extend beyond ensuring that businesses have a supportive environment in which to grow. It is essential to ensure the protection of policyholders. HE Rasheed M Al Maraj at another conference earlier in the year pointed out that, "The CBB has taken various steps to ensure that a stable insurance market continues to strive and prosper in our region". In addition to developing the corporate governance rules which companies should abide by in order to help maximise their profits, maintain their structures, and protect the interests of policyholders alike, the CBB is placing increased emphasis on the importance of companies having a sound enterprise risk management system. 2008 was a year in which we witnessed high levels of market volatility across the financial sector and steep falls in equity and liquidity levels. What was most startling however was the

level of exposure to both the markets and risk experienced by many companies.

It is of vital importance that companies look to develop their ERM practices which, on a wider level, are becoming one of the corner stones of a truly sound, modern financial system. But companies need to develop the right frameworks for this to happen. With regulators and debt ratings agencies paying closer attention to the risk management processes of companies, these are responsibilities that need to be assumed at Board level. Companies in Bahrain, and indeed those seeking to do business in the Kingdom should be asking themselves whether their product designs are consistent with their ability to manage the risks, do they have the capabilities to quantify the risks they take on, and do they take sufficient notice of their results?

The CBB is confident that companies can rise to the challenge of finding the right executives to lead these initiatives who will identify and define the key risk areas, but most importantly turn the challenges of the current markets, and the potential weaknesses in their organisations, into opportunities of new business and strengths to face what is around the corner.

“ Corporate Governance is of the upmost importance in the supervision and regulation of all financial institutions ”

- Abdul Rahman Al Baker  
CBB Executive Director of  
Financial Institutions Supervision,

Corporate Governance And ERM To Help Insurance Sector Grow and Protect Businesses and Policyholders

## Financial Sector Fact Sheet

<b>Regulator:</b>	<b>Central Bank of Bahrain</b>
<b>Financial Institutions:</b>	411 (June 2009)
<b>Financial Sector Workforce:</b>	13,922 (2008)
	Bahraini nationals 9,283 (66.68%)
	Foreign nationals 4,639 (33.32%)
<b>Key Economic Indicators:</b>	GDP (Current) US\$21.9 billion (2008)
	Growth 18.4%
	GDP (Constant) US\$12.6 billion (2008)
	Growth 6.8%
	Financial Sector contribution to GDP 27%
	Sovereign rating A (S&P 2008) with stable outlook
	A (Fitch 2008) with stable outlook
	Population 1,039,297 (2007)
<b>Banking Sector:</b>	Assets US\$236 billion (June 2009)
	No. of institutions 145
	Retail banks 31
	Locally incorporated 16
	Branches of foreign banks 15
	Wholesale banks 82
	Representative Offices 32
	Islamic Banks (included in above):
	No. of banks 26
	Assets US\$26.3 billion
<b>Insurance Sector:</b>	No. of firms 173 (Apr 2009)
	Domestic market
	Gross premiums US\$361 million (2007)
	No. of firms 37
	Locally incorporated insurance firms 26
	Overseas insurance firms 11
	Brokers restricted to business inside Bahrain 33
	Brokers restricted to business outside Bahrain 5
	Insurance firms restricted to business outside Bahrain 38
	Consultants 6
	Captives (locally incorporated) 1
	Managers 2
	Representative offices 6
	Loss adjusters 11
	Actuaries 23
	Others 10
	Takaful (Islamic insurance) Firms (included in above)
	Takaful Firms 19
	Retakaful Firms 1
<b>Investment Business Firms:</b>	No. of firms 49 (Apr 2009)
<b>Capital Market:</b>	Market Capitalisation US\$17.28 billion (June 2009)
	Brokers 14
	Listings
	Companies 51
	Mutual funds 38
	Bonds 13
<b>Specialised Licensees:</b>	No. of firms 15 (Apr 2009)
	Money Changers 19
<b>Funds Industry:</b>	Authorised Funds 2,643 (June 2009)
	NAV US\$9.7 billion (Mar 2009)
	Local Funds 142
	NAV US\$5.35 billion (Mar 2009)
	Conventional-Local 84
	Islamic-Local 58
	Foreign Funds-Offshore 2,502