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Embrace new governance code, firms urged

Bahrain's financial services industry has been urged to embrace the new Corporate Governance Code for all public companies operating in Bahrain.

The call came from Mr. Rasheed Mohammed Al Maraj, Governor of the Central Bank of Bahrain (CBB), who called on financial institutions to effect a much-needed change in corporate culture and usher in greater transparency and more effective governance structures.

He was speaking at a ceremony held to launch the new Corporate Governance Code, which is an initiative of the Ministry of Industry and Commerce.

"The CBB has been involved at all stages in the development of the new Code and we are strong supporters of it. We will be working with the financial sector and listed companies on the implementation of both the spirit and letter of the new Code," said Mr. Al Maraj.

"It is important that public companies in Bahrain, both financial and non-financial, enter fully into the spirit of the new Code.

It should not be seen as a matter of complying with just another set of regulations, but as something that should influence the corporate culture of companies in Bahrain. Greater transparency and more effective governance structures will in the long-run only serve to increase the attractiveness of Bahrain for foreign investors seeking to establish or expand operations in the MENA region."

Mr. Al Maraj stressed the importance of high standards of corporate governance for banks, in particular.

"Although high standards of corporate governance are essential for all publicly listed companies, they are especially important for firms in the financial sector. Financial institutions – and banks in particular – are not like other corporations where directors need to consider only the interests of shareholders.

"Financial institutions have a special position of trust in that they are charged with looking after other people's money. This means that the interests of creditors, depositors, policy holders, and clients need to have equal weight with those of shareholders and the decisions taken by the Board of Directors. Recognition of the directors' fiduciary responsibilities is, therefore, an essential element of corporate governance for banks and other financial institutions."

Unfortunately, the global financial crisis has provided many illustrations of failures of corporate governance, said Mr. Al Maraj.

"There is common pattern behind many of the failed financial institutions of the last 18 months. In many cases, the Chief Executive was a dominant figure who made sure that he alone took all important decisions. There was no culture of open debate and discussion within the senior management of these institutions, with the result that other members of the Board of Directors did not feel able to challenge the Chief Executive's decisions," he said.

"Many bank Boards lacked banking experts. Individuals were recruited to the Board of banks for their connections rather than for their knowledge of the banking industry and their ability to ask the right questions. In the case of many failed banks the standards of corporate governance fell far short of what should have been expected."

It is in this context that the CBB views the new Code as a significant development in strengthening Bahrain's reputation as a well regulated financial centre, said Mr. Al Maraj.

The new Code builds on current international best practice for corporate governance. For example, it reflects the corporate governance principles developed by the Organisation for Economic Cooperation and Development (OECD) which have become the benchmark for international standards in the field.

"The CBB will need to continue to apply its own corporate governance requirements on such matters as internal high level controls, the avoidance of conflicts of interest, and various public disclosure and reporting requirements," said Mr. Al Maraj.

The CBB's detailed requirements on corporate governance will, therefore, continue to exist in parallel to the new Code, he pointed out.

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Focus on core business, insurance firms told

Mr. Abdul Rahman Al Baker, *Executive Director, Financial Institutions Supervision*

Insurance firms have been urged to strengthen their foundations and refocus on their core business in order to achieve continued success in the future.

As the financial crisis has demonstrated, companies can no longer depend on investment income to boost their profits, said Mr. Abdul Rahman Al Baker, Executive Director, Financial Institutions Supervision, at the Central Bank of Bahrain (CBB).

In a plenary address at the opening of the 6th annual Middle East Insurance Forum (MEIF), Mr. Al Baker also urged insurance firms to review their current business strategies and tailor them to current market changes.

More than 400 insurance industry leaders from the Middle East region and beyond attended the MEIF, held in Bahrain on 7-8 February 2010. The event was held in partnership with the CBB.

"This year's theme for the Forum – 'Back to Basics' - is a recognition that the insurance industry has to refocus its strategies and examine the underlying fundamentals of operating a successful insurance company," said Mr. Al Baker in his speech.

The economic boom of recent years had afforded insurance firms to count on investment income to boost their overall operating margin. However, 2009 was a reminder that insurance companies cannot always count on their investment income to shore up the bottom line.

"While the financial crisis did not have significant impact on the insurance sector when compared to other financial sectors, it was a wake-up call for insurance companies to go back to the basics of good underwriting practices and investment analysis and to re-examine how to improve the bottom line of the core business that is insurance," said Mr. Al Baker.

"There is a definite need for the insurance industry to strengthen its foundations, and this is why the time is right to look back and review how best to tackle the development of the regional insurance markets."

In Bahrain, preliminary results for 2009 point to underwriting results that have been stable over 2008, while investment income is starting to regain some of the lost momentum from prior years, he said. As the regulator of insurance firms in Bahrain, the CBB continues to be proactive and closely monitors licensees' investment portfolio. "In 2008, insurance premiums increased by more than 30% and the interim reports received for 2009 appear to indicate that the market is now starting to stabilize, to a growth level that is reasonable. However, we continue to believe that certain insurance niches could be further developed to address the true insurance needs of the region. Furthermore, the strengthening of underwriting practices could benefit companies in retaining more of their profitable business rather than fronting a large portion of very profitable business," said Mr. Al Baker.

The global crisis has meant that company managements had to reassess their operations and provide a clear direction on how to adopt and possibly revamp their business strategies in order to pursue growth opportunities in the region. Key areas that each company needs to review include product development and underwriting trends, reinsurance capabilities in the region, investment strategies and corporate governance.

"Without a thorough review of these key areas, insurance firms will be ill prepared to address the challenges ahead," said Mr. Al Baker.

"Currently, there are many developments in our region to provide potential opportunities for insurers to increase insurance penetration. One of the most significant of these is compulsory healthcare regimes that are gradually being established in several countries in the Middle East. The insurance industry needs to be ready to take advantages of such opportunities by ensuring that policyholders will receive quality and reliable service when presenting their medical claims. This will mean further opportunities for the establishment or expansion of third party administrators in handling such claims."

The takaful industry, too, continues to grow significantly, bringing with it new issues that need to be tackled in a consistent fashion in order for this industry to progress further. Corporate governance issues have been significant, particularly in ensuring that participants of takaful funds will be fairly treated.

The CBB has taken a number of measures to help strengthen the insurance market, said Mr. Al Baker.

"The CBB believes that it is essential to pursue an ongoing dialogue with insurance firms and keep abreast of market developments. We conduct prudential meetings with our licensees as well as keep open the opportunity to meet on an ad hoc basis with companies on an individual basis," he said.

"We are also fortunate to have an industry association, Bahrain Insurance Association (BIA), with whom we meet on a regular basis to get direct feedback on various industry initiatives being undertaken and how the CBB can work with the BIA to make progress on these initiatives."

A key initiative has been the creation of a fund for hit-and-run cases, which will provide added security to policyholders, society in general as well as the insurance industry.

At the international level, the CBB has been active as a member of the International Association of Insurance Supervisors (IAIS) and the IAIS Governance and Compliance Subcommittee, dealing with the updated core principles for licensing, remuneration, suitability of persons, corporate governance and internal control.

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>
> --said Mr. Al Baker

Risk management takes centre stage

Strong corporate governance makes solid financial sense, says Myrna A. Barakat, Managing Director at MB Corporate Advisory Partners. However, while regulators have reacted strongly to the need for strong corporate structures and standards, the buy-in from the private sector remains questionable, she said at the recently-held Middle East Insurance Forum.

The financial crisis has led to a regional awakening in a number of areas; none more so than with regards to corporate governance and the need to implement strong structures and standards in all of our institutions. Indeed, one can't help but wonder where Dubai World's risk management team was when they made their investments and incurred their debt … Who advised the board before they approved their deals … Did the Board fully appreciate the risks involved and make their decisions with full knowledge of the possible repercussions? These are just some of the questions that we ask ourselves not only about Dubai World but also regarding the numerous other institutions that have been grappling to survive.

Although Dubai World's issues were in the headlines because of its size and the magnitude of its financial woes, it is far from being alone in having serious financial troubles that could very well have been avoided or at least minimized with stronger corporate governance, and in particular, risk management and compliance, structures.

The lesson from such crises is clear: a strong corporate governance framework reduces the risk of losses due to fraud, inappropriate affiliated transactions and similar unethical behavior; it protects public and minority shareholders against abuses by majority shareholders; it reduces the exposure counterparties face when dealing with companies that are well run and structured; and, most importantly, it adequately empowers decision makers, thereby allowing them to make sound and informed decisions.

In sum, strong corporate governance protects the business and protects shareholder value. The market recognizes this: for example, an acquirer looking to buy a target with a weak corporate governance framework will de facto discount its acquisition price to take into account the risk of some potential losses that it would otherwise ignore if the company had strong policies and structures. The regulators have clearly seen and reacted to the need for stronger regulation by enacting a series of laws in the area. One cannot help but wonder whether the private sector has similarly understood and digested the importance of a strong corporate governance framework, not just to comply with the regulations but because it makes financial sense.

High Cost

Setting up a strong corporate governance framework, including effective risk management and compliance departments, costs money; doing it right costs even more. It also entails making tough decisions at all levels. In many instances, companies will have to revisit their Board membership to include a greater number of technical experts as directors; in the same spirit, Board members will need training on corporate governance and technical industry issues. They will also need to seek independent outsourced advice on highly sensitive and strategic matters. With respect to human capital, Boards and executives will need to make tough hiring and firing decisions in key risk areas to ensure that those areas are properly covered and empowered - even if it requires paying more to get the right people.

They will also need to revise compensation schemes to ensure they adequately align employees' financial incentives with long term company profit realization. External auditors and other business consultants and advisors will have to be scrutinized and their competencies reassessed. These are just some examples of the steps companies will have to take to redress their corporate governance weaknesses. But this begs the question: Will financial institutions have the courage to take action and invest the money needed to implement such changes at a time of drastic cost cutting?

Survival at Stake

The initial answer is quite simple: they don't have a choice. As we saw with both local and international players, it's a question of survival. Unfortunately, the follow-on answer is not as simple: the only way most companies will have the financial wherewithal to sustain the costs associated with these changes is by restructuring or consolidating. Such strategic steps will allow them to increase market share quickly and thus gain much-needed scale to support a higher cost basis.

The key, however, will be to do so with proper deal valuations, terms and execution. We witnessed a flurry of buying and selling activity in past years but an honest look back at the actual performance of acquisitions and restructurings and, as one private equity professional put it to me, it is clear that the results are "disturbingly poor". Just take a look at some (if not most) of the business plans on which investors were basing their investment decisions and you cannot help but wonder whether anyone was structuring and evaluating these deals with a sense of realism.

Lesson learned: simply put, we cannot afford to get it wrong this time around. Consolidating and merging may be the only way for many to escape failures today and others to survive a higher cost basis. It may be the only realistic way we can expect our private sector players to adopt effective corporate governance frameworks with appropriately qualified boards and personnel. But we need to do it right. This generally means that companies will need to strengthen their corporate departments to ensure that they have appropriately qualified in-house professionals as well as skilled and "geographically attuned" outside advisors to structure and implement not only corporate governance policies but also strategic and corporate transactions.

The financial crisis can be seen as an opportunity for the region generally to restructure its private sector, strengthen its internal operations and overall, adopt better standards. In the long run, this can only benefit the region in particular, as more local players look for growth outside the Arab world. These changes are inevitable for international growth; the crisis has just accelerated the need somewhat and imposed some sense of urgency.

The views expressed in the article are not necessarily those of the Central Bank of Bahrain.

New rules for capital market brokers

The Central Bank of Bahrain (CBB) has issued new, groundbreaking rules to regulate the licensing and activities of brokers and other capital market intermediaries.

The framework for the licensing and regulation of Market Intermediaries and Representatives came into effect from the start of this year. The new rules comprise the Market Intermediaries and Representatives License Module (Module MIR) of Volume Six (Capital Markets Rulebook) of the CBB Rulebook, which is available on the CBB website at www.cbb.gov.bh

"In accordance with CBB's established practice, the new rules were finalized and adopted following a comprehensive consultation process with industry and interested parties," said Mr. Ali Salman Thamer, Director, Capital Markets Supervision, at the CBB.

The new rules are the latest additions to an ongoing CBB project to develop a comprehensive regulatory and supervisory framework governing capital markets.

The MIR Module seeks to introduce a consistent, effective and harmonised approach in regulation and supervision of members undertaking any regulated services as members of self-regulatory organisations in or from the Kingdom of Bahrain. It sets out the CBB requirements for authorisation of the controlled functions within the members regarding the initial, as well as ongoing, compliance requirements.

Persons or entities undertaking any regulated activities or functions require prior CBB licensing and/or authorisation.

The new rules are applicable to entities providing the following regulated activities:

i) Undertaking or providing services related to arranging or trading in securities, whether as principal or as an agent;

ii) Undertaking or providing any services related to the clearing, settlement of securities transactions, whether as principal or agent;

iii) Undertaking or providing services related to the depositing of securities with a licensed depository.

"The new rules will facilitate the growth and development of the capital market in a sound and prudent manner. It is hoped that this will expand the nature of the capital market and encourage firms to utilise the services of the exchanges, clearing houses and depositories in Bahrain, thereby increasing trade volumes, and provide liquidity to investors," said Mr. Thamer.

"The growth in the financial sector has led to the demand for such a framework and it is essential to the long-term viability and success of Bahrain's capital markets."

He noted that Article 89 of the CBB Law requires that: "All trading in securities listed on the Exchange shall be conducted through a mediator who is licensed by the Central Bank and registered as a member of the Exchange".

Persons or entities undertaking any regulated activities or functions, thus, require prior CBB licensing and/or authorisation.

The Module addresses such issues such as the licensing, including relevant requirements to receive such licences, the application process, the licensing of market intermediaries and representatives, the criteria for granting such licenses, and reasons which would lead to the surrender of such license and cessation of business.

It also deals with exemption from licensing, as well as the cancellation and amendment of licenses, annual fees payable by such entities and the regulations regarding the publication of the decision to grant, cancel or amend a license.

It also details the obligations of market intermediaries and representatives, including general obligations, to maintain proper records, procedures for final accounts and auditing, submission of periodic reports, requirements with regards to assisting the CBB, maintenance of confidentiality, provision of information to investors, transmission and storage of user information, and business continuity plans.

Matters requiring the approval of the CBB, such as the appointment of key personnel, business transfers, and control of licensed exchanges, are also detailed.

Mr. Ali Salman Thamer,
Director, Capital Markets Supervision, at the CBB

"The development and issuance of the MIR Module marks yet another milestone in strengthening CBB's regulatory, supervisory and enforcement efforts in the Kingdom's capital market," said Mr. Thamer.

The CBB is committed to its established policy of adhering to and applying international best practice in all aspects of financial regulation and supervision, he said.

As such, the key principles underlying the approach of the CBB in the MIR Module aim:

(a) To promote fair, orderly and transparent conduct or transactions on any regulated activity undertaken by a member;

(b) To facilitate and promote best international practices and conduct while undertaking or providing any regulated activity in or from Bahrain;

(c) To reduce systemic risk;

(d) To detect and deter manipulation and other misconduct;

(e) To maintain integrity of trading through fair and equitable rules that strike an appropriate balance between the demands of different participants;

(f) To maximize regulatory effectiveness;

(g) To minimize regulatory cost; and

(h) To maintain market integrity and investor confidence.

"In accordance with CBB's established practice, the new rules were finalized and adopted following a comprehensive consultation process with industry and interested parties," said Mr. Ali Salman Thamer, Director, Capital Markets Supervision, at the CBB.

Bahrain international bond oversubscribed

The Central Bank of Bahrain (CBB) has successfully placed the latest bond issuance of the Government of the Kingdom of Bahrain.

The initial size of the bond offering was US$1 billion, but the issue was oversubscribed by six times. As a result, the size of the bond was raised to US$1.25 billion.

The benchmark-sized U.S. dollar 10-year bond was issued on 24 March 2010 in the Rule 144A format, making it an eligible investment for U.S.-based investors.

It was the first time that Bahrain issued a bond in this format, and over 40% of the subscription came from the US, with European and Asian investors also showing strong interest.

The bond enjoys a rating of 'A' with a stable outlook by international rating agencies, S&P and Fitch.

The bond offering was marketed successfully in the US, Europe and Asia, and was priced at a spread of 200 basis points over 10-year US Treasury yield. The bond's coupon was fixed at 5.50%.

"The success of this issue reaffirms the market's appetite to invest in Bahrain's debt securities. This is a testament to Bahrain's strong credit and the confidence which international markets place on the Kingdom's economic management," said Shaikh Salman bin Isa Al Khalifa, Executive Director, Banking Operations, at the CBB.

"This issue both helps to establish a longer-term yield curve benchmark, and has allowed the Kingdom of Bahrain to tap US markets for the first time."

CBB grants licence for Zurich Insurance

The Central Bank of Bahrain (CBB) has granted a licence to Zurich Insurance Company (ZIC) to open a branch in Bahrain.

The licence enables the company to expand its activities as a general insurer from the Kingdom of Bahrain, in order to provide services to its large corporate customer base.

ZIC is a subsidiary of Zurich Financial Services (ZFS), headquartered in Zurich, Switzerland. ZFS was founded in 1884.

ZIC enjoys a credit rating of A+ and A- from international rating agencies Fitch and Standard & Poor's, respectively. ZIC has had a presence in Bahrain since 1986 through its subsidiary, Zurich International Life, which specializes in providing life insurance.

Mr. Ahmed Al Bassam, Director of Licensing & Policy at the CBB said: "The Central Bank of Bahrain supports the expansion plans of ZIC and welcomes it to Bahrain's growing insurance community."

ZIC's presence will add value to the insurance sector in Bahrain and the region, through increasing the capacity of the insurance market as well as with their experience and technical expertise.

Mr. Al Bassam added that international institutions such as ZIC can benefit from the improved legislation and regulatory regime applied in Bahrain, which reinforces the leading role played by the Kingdom as a pre-eminent international financial centre.

"Growth prospects for the insurance sector in the region remain promising as investment momentum continues at a pace that exceeds most other parts of the world," he said.

Mr. Saad Mered, Chief Executive Officer, Middle East, at ZIC said: "We are extremely pleased to launch our general insurance operations in Bahrain. This marks an important milestone in Zurich's strategic development and growth plans in the Middle East.

"Under the Central Bank of Bahrain's resolute and comprehensive regulatory environment, a presence in the Bahraini market is an important early development for setting a solid foundation for our growth in the region. We are eager to deliver Zurich's market leading customer propositions to Bahraini corporations, businesses and retail consumers. We look forward to building and developing a market leading team of professionals in Bahrain and working closely with the CBB and our distribution partners as we develop customer centric propositions."

IAIS set for key meetings in Bahrain

Insurance supervisors and industry professionals from around the globe will soon be gathering in Bahrain for the triannual meetings of the International Association of Insurance Supervisors (IAIS).

The triannual meetings will be held from 22-24 June 2010 and will be preceded by an IAIS Global Seminar on 21 June 2010. A key meeting of the IAIS Reinsurance Sub-Committee will be held alongside the triannual meetings.

All of the events are being held in conjunction with the Central Bank of Bahrain (CBB) and participation is limited to IAIS members and observers.

"The CBB is delighted to host such a key event on the IAIS agenda," said Mr. Nader Al Mandeel, Director, Insurance Supervision, at the CBB.

The IAIS is the world's primary insurance organization, representing insurance regulators and supervisors of some 190 jurisdictions in nearly 140 countries, constituting 97% of the world's insurance premiums, he noted. It also represents more than 120 insurance professionals, insurers,reinsurers and trade associations as observers.

The IAIS issues global insurance principles, standards and guidance papers and provides training and support on issues related to insurance supervision.

The upcoming triannual meetings and global seminar are expected to draw over 200 participants from around the world.

"The holding of the events in Bahrain is a demonstration of the CBB's increasingly active role within the IAIS," said Mr. Al Mandeel.

The global seminar will spotlight the status of the ongoing work by the IAIS, including the common framework for the supervision of internationally active insurance groups, the development of the solvency framework with a special focus on Enterprise Risk Management (ERM), international accounting developments, corporate governance and macroprudential surveillance.

The session on international accounting developments will focus on valuation of assets and liabilities for solvency purposes compared to proposed measurement approaches under International Financial Reporting Standards (IFRS).

At the international level, the CBB has been active as a member of the International Association of Insurance Supervisors (IAIS) and the IAIS Governance and Compliance Subcommittee, dealing with the updated core principles for licensing, remuneration, suitability of persons, corporate governance and internal control.

The IAIS events in Bahrain will be held at the Diplomat Radisson Blu Hotel.

IIFM, ISDA launch Islamic hedging contract

Bahrain-based International Islamic Financial Market (IIFM) and US-based International Swaps and Derivatives Association have launched the groundbreaking IIFM-ISDA Tahawwut (Hedging) Master Agreement.

The development is a breakthrough in Islamic finance and risk management and marks the introduction of the first globally standardized documentation for privately negotiated Islamic hedging products.

The Tahawwut Master Agreement was officially unveiled in Bahrain on 1 March 2010 at a launch event hosted by the IIFM and ISDA and held under the patronage of Mr. Rasheed Mohammed Al Maraj, Governor of the Central Bank of Bahrain (CBB).

IIFM and ISDA jointly developed the Tahawwut documentation under the guidance and approval of the IIFM Shari'a Advisory Panel for this project and in consultation with market participants. The published document consists of the Islamic Master Agreement and an Explanatory Memorandum, both of which are part of the official Shari'a.

"Given the growing nature of the Islamic finance industry, the institutions operating on Shari'a principles can no longer afford to leave their positions unhedged," said Mr. Khalid Hamad, Chairman of IIFM and Executive Director of Banking Supervision at the CBB.

"Hence, some key hedging products are now becoming common across jurisdictions to mitigate risk. The IIFM-ISDA Tahawwut (Hedging) Master Agreement gives the industry access to a truly global framework document which is neutral in terms of treatment to both the transacting parties and at the same time strictly conforms to Shari'a principles.

"IIFM is honoured to have achieved this milestone in collaboration with ISDA and I am confident that such joint efforts will continue in the future."

Mr. Eraj Shirvani, Chairman of ISDA and Managing Director, Head of Fixed Income for the EMEA Region at Credit Suisse, said: "Demand for customized, privately negotiated hedging tools that conform to the principles of Islamic finance has increased in momentum. The Tahawwut Master Agreement provides the critical framework for the growth and evolution of Shari'a-compliant hedging instruments."

Mr. Al Maraj, fifth from left, is seen at the launch with Mr. Khalid Hamad, Chairman of IIFM, Mr. Ijlal Alvi, Chief Executive Officer of IIFM, and other participants.

The IIFM-ISDA Tahawwut Master Agreement provides the structure under which institutions can transact Islamic hedging transactions such as profit-rate and currency swaps, which are estimated to represent most of today's Islamic hedging transactions.

It is designed to be used between two principal counterparties as a master agreement. Parties understand that no interest shall be pay¬able or receivable and no settlement based on valuation or without tangible assets is allowed. Moreover, the counterparties to the Tahawwut Master Agreement make representations as to the fact that they enter into Shari'a-compliant transactions only.

The agreement is a new framework document although the structure draws on the conventional ISDA Master Agreement. However, the key mechanisms and provisioning such as early termination events, closeout and netting are developed based on Islamic Shari'a principles.

"Standardization is a key element in the progress of Islamic finance though it is not a simple process as evident from the effort put in to the development of this master agreement," said Mr. Ijlal Ahmed Alvi, Chief Executive Officer of IIFM. "A record number of drafts - 24 drafts – were developed during the industry consultation and Shari'a guidance process before ultimately reaching the final version which is comprehensive as well as practical in terms of usage with no compromise on Shari'a principles.

"It was, indeed, a pleasure to have worked with such an experienced and dedicated execution team and the efforts were supplemented by exemplary understanding and cooperation shown by ISDA, our joint partner."

IIFM is grateful to the efforts of a number of institutions and individuals, who worked tirelessly to make the project a reality, said Mr. Alvi.

"We express our heartfelt appreciation and thanks to the Tahawwut Master Agreement Project Execution team, namely Mr. Habib Motani (Clifford Chance), Mr. Peter Werner (ISDA) and Mr. Ghazanfar Naqvi (Standard Chartered Saadiq) for all their efforts throughout the development process," he said.

"We also sincerely extend our gratitude to the Central Bank of Bahrain for its continuous support; Dubai International Financial Centre and Ernst & Young-Bahrain for hosting IIFM Shari'a meetings; Abu Dhabi Islamic Bank and the Association of Islamic Banks in Malaysia for hosting market consultative meetings; Standard Chartered Saadiq for technical information; KFH (Bahrain), ABC Islamic, European Islamic Investment Bank and Credit Agricole Corporate & Investment Bank for value input and to all financial institutions and other market participants involved in the development process."

Mr. Robert Pickel, Executive Vice Chairman of ISDA, said: "ISDA is pleased to have partnered with the IIFM as part of its own ongoing efforts to promote prudent risk management and to support the efficient development of privately negotiated hedging products. The Tahawwut Master Agreement represents a major milestone in the development of risk management in Islamic finance."

In addition to developing documentation for Islamic transactions, ISDA, in coordination with IIFM, is in contact with various regulators in a number of Islamic jurisdictions, such as the UAE, Bahrain, Qatar and Pakistan to improve the local legal framework for hedging products and close-out netting provisioning.

Approval from Islamic scholars, bankers

The groundbreaking IIFM-ISDA Tahawwut (Hedging) Master Agreement has received the approval of a number of globally respected Shari'a scholars and prominent practitioners of Islamic finance.

A large number of Shari'a scholars and industry professionals from different geographic regions were involved in the development process, to ensure global acceptability of the Tahawwut Master Agreement (TMA), said Mr. Ijlal Ahmed Alvi, Chief Executive Officer of IIFM.

"At IIFM, we are committed to ensuring that our market development work is realistic and practical and this means securing acceptability from both the Shari'a and industry perspectives," he said.

The TMA underwent as many as 24 drafts over a three-year period, as various scholars and industry practitioners worked to find common ground and develop a contract that was practical in terms of usage, with no compromise on Shari'a principles.

Following are comments from some leading Shari'a scholars:

Shaikh Nizam Yaquby: "IIFM and ISDA have done a great service to Islamic financial institutions by developing this document. This is the second standard document issued by IIFM and it is the right example to follow in future documentations. The amount of time, effort, and resources put to achieve this standardised document will only be appreciated by those who understand the difficult and complex discussions and research phases that this document was subjected to."

Shaikh Dr. Mohammed Daud Bakar, said: "Risk management, or hedging, which is compliant to Shari'a principles is a must in Islamic finance industry. Standard documentation on this aspect by IIFM and ISDA is not only timely but also evidence that standardization is always possible in this young and promising industry. This groundbreaking achievement will be the start of many more institutional achievements."

Shaikh Dr. Mohammed Burhan Arbouna: "This framework is a milestone for the Islamic banking and finance industry. The birth of this document shows the flexibility of Islamic legal principles to attend to the need of the societies to conduct their daily commercial activities according to the tenets of Islam. The document has passed through an extensive scholarly discussion and scrutiny for the past years, the reason being to ensure that the mechanisms employed in the hedging industry were fully agreed upon by the majority of IIFM Shari'a Advisory Panel members. We hope this document will shape the road to other developments in the Islamic banking and finance industry."

Shaikh Esam Mohammed Al Shaikh Ishaq: "This agreement has been the end result of a long and difficult process, in which meetings between scholars, practitioners and others took place for a period of over three years. The process was arduous, involving tight-rope walking, negotiation on many Shari'a issues and concerns, while keeping in mind the interests of the industry simultaneously. I pray Allah blesses this document with proper understanding and implementation by all involved. This document is definitely an addition of great value to Islamic banking and finance."

Key Islamic finance practitioners, who were involved in the TMA development process, made the following comments:

Dato' Azizan Abdul Rahman, Director General, Labuan Offshore Financial Services Authority (LOFSA): "The global financial crisis has underscored the importance of sound risk management, primarily related to hedging transactions. The TMA provides the needed consistency and predictability to ensure deep and liquid international Islamic financial markets. Such a standardization initiative undertaken by IIFM and ISDA is a testament to the greater convergence in Shari'a interpretations of universal recognition and acceptance."

Mr. Farhan Al Bastaki, Executive Director, Islamic Finance, DIFC Authority: "DIFC is very happy to have been associated with the development of the TMA. It will help in boosting the growth of the Islamic financial services industry and the development of the Islamic capital and money markets across the world."

Mr. Afaq Khan, Chief Executive Officer, Standard Chartered Saadiq: "This is a great accomplishment as it will allow Islamic banks to offer end-to-end solutions to their customers and it will allow better treasury risk management tools for Islamic financial institutions to competitively manage the market risks."

Mr. Naveed Khan, Managing Director, ABC Islamic Bank: "It is encouraging that the IIFM and ISDA are launching this ground breaking initiative, which will not only provide the market with an essential tool for hedging but will also remove the current disadvantage experienced by Shari'a-compliant customers versus their conventional competitors. That they can do it in a way that carries the blessings of a regulatory authority which is interested in enhancing industry benchmarks and standards is also really remarkable."

Mr. Lilian Le Falher, Executive Manager, Treasury & Financial Institutions, Kuwait Finance House: "Hedging products are becoming mainstream products for Islamic financial institutions. Too often, transactions in our industry face delays in their execution due to the lack of standardization. The TMA will provide practitioners with an appropriate and globally recognized legal framework for hedging transactions."

IIFM plans TMA roadshow

The International Islamic Financial Market (IIFM) is embarking on a roadshow to familiarize Islamic finance practitioners with the groundbreaking IIFM-ISDA Tahawwut (Hedging) Master Agreement.

Beginning on 5 April 2010, several workshops are scheduled to be held in Bahrain, Qatar, Abdu Dhabi, Jeddah and Dubai, with more planned in other regions.

The aim of the workshops is to provide participants with an understanding of the significance of the TMA, its key features and mechanics and the types of transactions that can be undertaken. "A tremendous amount of effort has gone into the development of the TMA.

We now want to ensure that this agreement is used as widely as possible by industry," said Mr. Ijlal Alvi, Chief Executive Officer, IIFM.

"The workshops are aimed at reaching Islamic finance professionals and provide them a detailed understanding of the agreement and how they can utilize it in their day-to-day transactions."

AAOIFI issues new standards

The Bahrain-based Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the international standard-setting organisation for Islamic finance, has issued a number of new and revised standards for the international Islamic finance industry.

Amongst the new standards are 11 new Shari'a standards on stipulations for gharar (uncertainty) in financial transactions, arbitration, waqf (endowment), ijara (leasing) on Labour, zakah (alms), contingent obligations, credit facilities, online financial transactions, rahn (pledge), investment accounts and profit distribution, as well as Islamic reinsurance.

In addition, AAOIFI also issued a revised accounting standard on consolidation, a new accounting standard on investments in associates, a new governance standard covering statement of governance principles, and a new governance standard on corporate social responsibility.

Dr Mohamad Nedal Alchaar, Secretary General of AAOIFI, said that AAOIFI standards have helped Islamic financial institutions (IFIs) throughout the world to ensure that the products and services they offer comply with Shari'a. "The standards have also effected a high degree of harmonisation of Islamic finance practices across the major Islamic finance markets and consequently placed the industry in a stronger position to expand," he said.

With the new standards, AAOIFI has now issued a total of 81 standards on accounting, auditing, ethics, governance and Shari'a – covering a diverse range of Islamic finance mechanisms and operations – for the international Islamic finance industry.

Governance Principles

Governance practices play a vital role in ensuring businesses are run in a prudent and sound manner. A loss of confidence in financial institutions has the potential to create severe economic dysfunction, adversely affecting the general community in which they operate.

Financial institutions are different from other types of businesses due to their public purpose. There are more stakeholders in banks and other financial services institutions than in other businesses. In an Islamic financial institution, the list of stakeholders is even wider. The interests of investment account holders and providers of other forms of capital are exposed to the risk of being prejudiced if governance practices are focused on benefits to owners or equity-holders.

Financial institutions that develop strong governance practices win public confidence and, thereby, promote trust amongst their equity-holders, investors and other parties dealing with them. In IFIs, governance practices are also expected to lead to enhanced Shari'a compliance structures.

The new AAOIFI governance standard covering statement on governance principles is aimed at supporting the development of sound governance practices within IFIs as well as establish the basis for standards setting by AAOIFI on individual aspects of governance.

Objectives of the standard are to lay down the key principles and concepts relevant to governance in IFIs, to assist the institutions as well as their stakeholders to appreciate the respective roles of those charged with governance, to establish the foundation upon which the development of future governance or compliance standards will take place, and to provide the necessary inter-linkage between the various current and future standards.

The new standard identifies factors that form the basis, and highlights the principles, of governance. Factors that form the basis of governance relate to enhancing confidence in IFIs, Shari'a compliance, business model, stakeholders' interests, social responsibility, and business ethics and culture.

Principles of governance are those pertaining to effective Shari'a compliance structures; fair treatment of equityholders; equitable treatment of fund providers and other significant stakeholders; fit and proper conditions for board and management; effective oversight; audit and governance committee; risk management; avoidance of conflicts of interest; appropriate compensation policy oversight; public disclosures; code of conduct and ethics; and appropriate enforcement of governance principles and standards.

Social Responsibility

The new corporate social responsibility (CSR) standard establishes a definition of CSR for IFIs, provides both mandatory and recommended standards to implement CSR in all aspects of the institutions' activities, and provides guidance on disclosure of CSR information to the institutions' stakeholders.

CSR for IFIs encapsulates all activities carried out by the institutions to fulfill their religious, economic, legal, ethical and discretionary responsibilities as financial intermediaries for individuals and institutions.

Objectives of the standards include prescribing uniform standards on CSR activities and compliance. It is not the intended objective of the standard to prescribe new principles and rules of conduct, but to codify existing principles and rules in a comprehensive structured format. The standard is also aimed at ensuring that CSR activities and compliance of IFIs are communicated in a uniform, truthful, transparent and comprehensible manner to relevant stakeholders to whom the IFI owes a duty of accountability. Perhaps more importantly, another objective is to encourage IFIs to take a proactive role in applying CSR to all aspects of their operations.

The standard provides for mandatory and recommended CSR conducts. Mandatory CSR conducts are policies relating to screening clients; responsible dealing with clients; earnings and expenditure prohibited by Shari'a; employee welfare; and Zakah.

Recommended CSR conducts are policies relating to benevolent loan (Qard Hassan); reduction of adverse impact on the environment; social, development and environment based investment quota; par excellence customer service; micro and small business and social savings and investments; charitable activities; and Waqf (endowment) management.

Disclosures relating to the material policies of an IFI with respect to its mandatory and recommended CSR conducts should be made, in a separate CSR report contained within the annual report, to satisfy information needs of its stakeholders. Disclosure may also be made in other reports specifically targeted towards the general public.

Development Programme

AAOIFI is also currently carrying out a review of its existing standards. It has recently published an exposure draft of a proposed new accounting standard on conceptual framework for financial reporting by IFIs. The proposed new accounting standard is to supersede and replace the existing standards on objectives and concepts of financial accounting. It is also to provide the basis of review for all existing accounting standards.

The proposed new accounting standard will give updated guidance on investment accounts that should be presented on or off statement of financial positions (i.e. on- and off-balance sheet items for investment accounts). The updated guidance is to be subsequently followed by corresponding updated accounting standards specific on investment accounts.

CBB welcomes murabaha initiative

The Central Bank of Bahrain (CBB) has welcomed a proposal for establishing a global exchange for trading murabaha contracts.The move will go a long way in meeting the liquidity management needs of the Islamic finance industry, said Mr. Abdul Rahman Al Baker, Executive Director, Financial Institutions Supervision, at the CBB.

He was speaking at a ceremony held in Bahrain to mark the signing of a Memorandum of Understanding (MoU) between the Bahrain Financial Exchange (BFX) and Bursa Malaysia, the Malaysian stock exchange, to develop a single platform on which Islamic products can be traded.

Also present at the event, held on 24 January 2010, were Dato Mohammed Razif Abd Kadir, Deputy Governor of Bank Negara Malaysia and Dato Dr. Nik Ramlah Mahmood, Managing Director of Securities Commission of Malaysia, top executives from BFX and Bursa Malaysia and other guests.

"I would like to congratulate the BFX and Bursa Malaysia for their proposal which will pave the way for providing solutions to the Islamic finance industry with respect to murabaha trading contracts, as well as to identify synergies which will add value to the existing practices of this innovative and important industry," said Mr. Al Baker.

He pointed to the growth of the Islamic finance industry, from a niche market worth around US$150 billion in the mid-1990s to an estimated US$500 billion at present.

The industry is growing at an annual rate of 17% and is expected to command assets worth an estimated US$1.3 trillion by 2012. In the GCC region, too, the Islamic finance industry has seen double-digit growth in the past decade, a pace that far outstrips the growth of conventional banking. With assets worth around US$170 billion, Islamic banks account for nearly 15% of the GCC banking system's assets."Bahrain is the pre-eminent financial centre for Islamic banks and financial institutions in the Middle East and North Africa (MENA) region, with a critical mass of 27 Islamic banks, two assets managers, six takaful companies, and 100 Islamic funds located here," said Mr. Al Baker. The total assets of Bahrain's Islamic banks currently stand at US$29.3 billion, compared to a mere US$5 billion just six years ago.

This represents a growth of 490% over five years, with an annual growth rate of 45%. The number of Islamic funds, at 2009-end, totaled 100 with total assets amounting to US$1.5 billion, compared to 47 funds with holdings of US$137 million at the end of 2003, a growth of 80% per annum.

"All of these statistics demonstrate the importance of the Islamic finance industry and its significance in the regional and international markets," said Mr. Al Baker.

For more than three decades, the growth of Islamic finance industry was measured by the tremendous growth of Islamic banks.

Since the turn of this century, however, another significant landmark for Islamic finance is the exceptional growth in commodity murabaha, he said.

By the end of 2008, the global commodity murabaha market is estimated to reach more than US$100 billion. "As you are aware, commodity murabaha enables Sharia lenders to create financing transactions which involve specific assets, fulfilling Islam's demand that all deals must involve real Islamic activity," said Mr. Al Baker."Thus, a commodity murabaha trading platform, to be set up by (BFX) and Bursa Malaysia will serve the growing demand for Shari'a-compliant financing needs and close the gap that is currently faced by international Islamic financial players for a short-term interbank placement.

It will also serve to enhance the product offerings of the Islamic financial institutions and to efficiently manage their liquidity as well as their risks using acceptable Shari'a solutions," he said. The capital markets industry in Bahrain is well-regulated by the CBB, which is engaged in developing and enhancing a comprehensive regulatory framework, based on international best practice, Mr. Al Baker pointed out.

The New Markets & Exchange Rules, in particular, seek to introduce a comprehensive, effective and harmonized approach in licensing, regulating and supervising licensed exchanges and licensed market operators in Bahrain.

Murabaha trading platform on way

Bahrain Financial Exchange (BFX) and Bursa Malaysia, the Malaysian stock exchange, have signed a memorandum of understanding (MoU) to develop a single platform on which Islamic products can be traded.

The move aims to set up trading in Shari'a-compliant commodity backed products (murabahas).

The deal involves a feasibility study to identify products which can be developed to increase variety in Islamic financial markets and produce greater liquidity for markets.

"This initiative is a major development for the Islamic finance market. The collaboration between BFX and Bursa Malaysia will seek to offer a wider risk management portfolio to global Islamic practitioners," said Mr. Arshad Khan, BFX Director.

"By partnering with Bursa Malaysia, we can ensure that the products offered are well defined, robust and fully Shari'a-compliant and I am honoured that we have been able to work with such a well respected global business."

Mr. Yusli Mohamed Yusoff, Chief Executive Officer of Bursa Malaysia, said the collaboration is aimed at facilitating cross-border development in Islamic financial markets, widening market reach, exchanging technological expertise and building a sustainable business model for both exchanges.

"This is a major step towards consolidation in the Islamic finance world. As Malaysia and the Middle East are the leading centres of Islamic finance, and as both exchanges come together on a single platform, this will add to the strength of this industry. This initiative will go a long way in addressing the issues of standardisation, innovation and transparency thus providing a new dimension to the Islamic finance market," he said.

Financial sector job growth in 2009

Employment in Bahrain's financial services industry grew by 1.5% during 2009, with a total of 14,137 people employed at end-2009, compared with 13,922 at end-2008, according to an annual survey conducted by the Central Bank of Bahrain (CBB).

The main driver of job growth was the non-bank financial sector (comprising insurance firms, money brokers, money changers, investment advisory, capital market broking companies and the Bahrain Stock Exchange) which added 851 new jobs. As a result, employment in the non-bank sector at 2009-end totaled 5,191, an increase of 19.6% over the previous year.

The insurance sector saw a growth of 10.6% to 1,524 jobs, from 1,378 in 2008.

The banking sector underwent a slight decrease in employment. Total employment in the banking sector reached 8,946 at end-2009, compared with 9,582 at end-2008.

The CBB survey also showed that the Bahraini workforce in the financial services industry reached 9,313 in 2009, an increase of 30 people over the 2008 figure of 9,283.

"These figures are a testimony that, despite the global financial crisis, Bahrain's financial services industry was able to continue to create additional jobs during 2009," said a CBB official.

"This reflects the successful implementation of the CBB's policy in ensuring a well-diversified financial sector and in bolstering non-bank financial services in a way that provides for balanced development of this sector and limits the impact of the changing economic cycle."

Waqf Fund launches new training phase

The Bahrain-based Waqf Fund for research, education and training is continuing with the second phase of its programme to prepare local talent for the Islamic financial services industry.

The programme aims to develop Bahraini graduates, both academically and professionally, to ensure a constant supply of qualified professionals for the Islamic finance industry in Bahrain. The Fund is chaired by Mr. Khalid Hamad, Executive Director, Banking Supervision, at the Central Bank of Bahrain (CBB). Members comprise the CBB and 18 prominent Islamic and conventional banks with Islamic finance operations.The first batch of 18 Bahraini graduates, sponsored by the fund, completed their diploma in Islamic finance in June last year, and also completed their six month internships at various banks. Several of these graduates subsequently hold full-time employment with Islamic banks and other companies. Despite the difficulties facing the banking and finance industry, the Waqf Fund decided to continue with the programme showing its unwavering commitment to developing qualified and trained Bahraini human resource personnel in Islamic finance.

The second batch of 20 graduates has now been selected. "This is probably the first such programme in the world, where the best university graduates are trained up from scratch in Islamic finance and also undertake internships at Islamic financial institutions," said Mr Hamad. "We are proud to have designed and funded this initiative and to have partnered with the Bahrain Institute of Banking and Finance (BIBF), the University of Bahrain, and our member institutions to execute this important programme. "We hope to continue this programme and deliver a steady stream of skilled and qualified Islamic finance professionals to the Bahrain market," said Mr Hamad. "We are very pleased with the achievements of the graduates," said BIBF director Garry Muriawi. "It is a key goal of this initiative to provide quality graduates to the Islamic finance industry. "We are confident they are well-equipped with the necessary knowledge.

They have had sufficient exposure on how the market operates to be successful in their respective careers, and to add value to the Islamic finance sector."

BSE signs deal on custodian services

The Bahrain Stock Exchange (BSE) has signed a depository participant (Custodian) agreement with Gulf Custody Company - Bahrain. The agreement allows the bank to offer custody services at the BSE to local, regional and international investors. "We are delighted that Gulf Custody Company will provide custodian services to investors at the exchange," said Mr. Fouad Rashid, Director of the BSE. "We are optimistic that this move will attract more investments at BSE. BSE is continuously seeking to provide more advanced and diversified options to investors from Bahrain and overseas. Such services represent a vital part in the process of investing in securities, especially in meeting the increasing needs of different investors. "BSE will continue to coordinate and cooperate with leading financial institutions in order to make these services available to investors at the BSE," said Mr. Rashid. Mr. Ali Al Laith, General Manager of Gulf Custody Company said the agreement with the BSE marks the beginning of a fruitful relationship between BSE and the company."The signing of this agreement comes in line with meeting the needs of the clients of Gulf Custody Company, in which the custodian services offered are similar to those provided in other financial markets," said Mr. Al Laith. Custodian services to investors include opening of securities accounts, settlement of trades, collection of dividends and safeguarding clients' securities, as well as management reporting and reconciliations.

Bahrain-Luxembourg links highlighted

The similarities and synergies between the economies of Bahrain and Luxembourg came under the spotlight at a seminar held in Bahrain. The event, held on 11 January 2010, was supported by the Central Bank of Bahrain (CBB) and the Bahrain Association of Banks. It was organized by Luxembourg for Finance, a public-private partnership between the Luxembourg government and the Luxembourg Financial Industrial Federation.

"The economies of Bahrain and Luxembourg have many similarities," said Mr. Rasheed Mohammed Al Maraj, Governor of the CBB, during a keynote address at the seminar, which was also attended by Prince Guillaume, Crown Prince of Luxembourg. "In both cases, we act as financial services centre for a wider economic region and, as a result, the combined assets of the financial industry of our two countries represent several multiples of the size of our economy.

"Traditionally, Bahrain has concentrated on developing its banking industry, including wholesale banks that provide project finance throughout the wider Middle East and North Africa (MENA) region, Mr. Al Maraj noted. However, in recent years, in line with the Vision 2030 Plan, Bahrain has sought to diversify its financial sector.

As a result, there is a growing presence of insurance companies and fund managers.

As of November 2009, there were 2,610 authorised funds established in Bahrain managing assets of over US$9 billion. "The financial crisis has caused many financial centres to review their development strategies.

Bahrain is no exception to this trend, even though the crisis has had only a modest impact on our financial system," said Mr. Al Maraj. Throughout the difficult period of 2008 and 2009, Bahrain's financial markets continued to function normally and the Government of Bahrain did not consider it necessary to take some of the extraordinary measures, such as recapitalization of banks and providing blanket guarantees, that had been adopted in other parts of the world.

Although two wholesale banks were placed into administration during 2009, these events did not have a spill-over effect to the wider financial system. The domestic impact of the crisis has been limited, largely because Bahrain's real estate market had not experienced high levels of speculative activity. However, since Bahraini banks are major providers of credit throughout the MENA region, they have been affected by credit defaults elsewhere.

Nonetheless, the high levels of capital adequacy of Bahraini banks has allowed them to absorb these losses and the retail banking system remains on a very solid footing. "A further source of strength for Bahrain's financial sector has been our position as a centre for Islamic finance. Owing to the Shari'a prohibition on speculative activity and the requirement that financial transactions be backed by real assets, the Islamic financial industry has been less affected by the global financial crisis than the conventional sector," said Mr. Al Maraj. "While this sector has no room for complacency, as its customers are just as likely to suffer from the economic downturn as those of conventional banks, we nonetheless believe that there are enormous opportunities for Shari'a-compliant finance to take up some of the slack created by problems in the conventional financial industry." The Sukuk market, in particular, is one that provides a flexible financing mechanism which contains enormous potential.

"With Bahrain's long track-record and supportive regulatory regime for Islamic finance, we believe that this is an aspect of the financial sector that is ripe for further development," said Mr. Al Maraj. Prince Guillaume said the Luxembourg financial centre and the financial centres of the GCC region are complementary and can benefit considerably from each other.

"International openness is definitely a key success factor in a globalised economy characterised by a growing degree of complexity," he said during his opening address.

The seminar provided an excellent occasion for professionals from Bahrain and Luxembourg to meet and to lay the ground for an ever closer and mutually beneficial cooperation between the two financial centres, he added.

New Islamic knowledge centre in Bahrain

Deloitte has established a new Islamic Finance Knowledge Centre (IFKC) in Bahrain. The IFKC will capitalise on the firm's expertise in the Islamic finance field and help clients tap the growing opportunities and strong potential of the Islamic finance market which is predicted to maintain its growth record of 15-20% per annum over the past five years.

"Global Islamic finance assets are estimated by the International Monetary Fund to exceed US$260 billion and expected to grow to US$1 trillion by 2016," said Mr. Omar Fahoum,Chairman and Chief Executive of Deloitte Middle East. "Currently around 60% of those assets are shared by Middle East countries, while 80% of the top 50 Islamic banks worldwide are located in the Middle East region," Mr Fahoum added.

"The Middle East centre is part of a global Deloitte Islamic Finance network that supports our clients in the region with tailor-made solutions to conduct Islamic banking and finance transactions," he said.

"Bahrain was chosen because it is a leading Islamic finance centre for the Middle East region since there is a growing number of Islamic banks and financial institutions," he added. Dr Hatim Tahir has joined Deloitte as a director of the IFKC.

He brings with him over 20 years of experience in Islamic finance research, higher education, consulting background and thought leadership.

Financial Sector Fact Sheet

Regulator:	Central Bank of Bahrain
Financial Institutions:	406 (Mar 2010)
Financial Sector Workforce:	14,137 (2009) Bahraini nationals 9,313 (69.9%) Foreign nationals 4,824 (34.1%)
Key Economic Indicators:	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 26.7% Sovereign rating A (S&P 2008) with stable outlook A (Fitch 2008) with stabl e outlook Population 1,039,297 (2007)
Banking Sector:	Assets US$216.0 billion (Mar 2010) No. of institutions 138 Retail banks 32 *Locally incorporated 17* *Branches of foreign banks 15* Wholesale banks 78 Representative Offices 28 **Islamic Banks** (included in above): No. of banks 28 Assets US$24.7 billion
Insurance Sector:	Total No. of Insurance Companies & Organisations Authorised in Bahrain 169 (Mar 2010) Domestic market Gross premiums US$496 million (2008) No. of insurance firms 39 Locally incorporated insurance firms 27 Overseas insurance firms 12 Takaful & Retakaful Firms (included above) 9 Captives (locally incorporated – included above) 2 Insurance Brokers 32 Insurance Consultants 5 Insurance Managers 3 Representative offices 6 Loss adjusters 11 Actuaries 24 Insurance Ancillary Services 2 Insurance Pools & Syndicates 2 Insurance Society 1 Insurance Licensees Limited to Operations Outside Bahrain 44 Insurance Firms 37 Insurance Brokers 5 Insurance Consultants 2
Investment Business Firms:	No. of firms 45 (Mar 2010)
Capital Market:	Market Capitalisation US$17.27 billion (Mar 2010) Brokers 6 Listings Companies 49 Mutual Funds 35 Bonds 13
Specialised Licensees:	No. of firms 20 (Mar 2010) [comprising: Trust Services Providers 3; Reg. Admin 5; Ancilliary Services 12] Money Changers 19 Financing Companies 9
Funds Industry:	Authorised Funds 2,736 (Mar 2010) NAV US$8.73 billion Local Funds 139 NAV US$5.19 billion Conventional-Local 80 Islamic-Local 59 Foreign Funds-Offshore 2,597