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Regulators must maintain capital markets integrity

The reputation, quality and credibility of the markets are of paramount importance and the regulators should maintain market integrity by ensuring fair and sound regulation and protecting the interest of the public investors, according to a top official at the Central Bank of Bahrain (CBB).

"The market operators must continue to pursue opportunities to enhance the position and competitiveness of the capital markets not just domestically but also globally. This entails attracting good flow of foreign capital and issuers," HE Mr. Rasheed M. Al Maraj, Governor of the CBB told the delegates of the AFE Equities Summit 2015, which was held in Bahrain in April 2015.

"For any capital market to remain effective and efficient, it should continue to build and enhance liquidity, depth and diversification in terms of investment instruments, listings and capital flow at the regional and international levels," said Mr. Al Maraj.

"This summit has established its reputation as the region's most influential annual gathering of securities markets leaders, supporting growth, excellence and innovation of the securities markets industry,"said Mr Al Maraj while highlighting the importance of the AFE Equities Summit 2015.

"In order to establish effective regional and international cooperation, capital market regulators should step up to the challenge and meet global standards, in particular the IOSCO's Objectives and Principles of Securities Regulation.

Domestically, he said, the CBB remains committed to developing the capital markets sector and provides the Bahrain Bourse (BHB) with the necessary support to increase its scale and contribute to the national economic growth.

"The CBB has encouraged the BHB to adopt initiatives that will help to enhance market liquidity and depth, as well as provide a diversified, fair and transparent environment for the public investors. In this regard, the BHB works closely with the CBB in introducing new products and services and coordinates with all industry stakeholders and segments in developing and enhancing market infrastructures."

"In general, the overall stability, strength and credibility of our capital markets provide many opportunities for growth and the CBB continues to work with the market participants to safeguard the interests of the domestic capital market and ensure its development," Mr. Al Maraj emphasised.

Mr. Al Maraj added the CBB was in the process of upgrading the existing clearing and settlement, central depository and central registry frameworks as well as market intermediary supervisory functions.

"The CBB continues to enhance its regulatory development programmes by embarking on initiatives such as the establishment of a disclosure and corporate governance-based monitoring framework." Mr. Al Maraj thanked Dr. Fadi Khalaf, Secretary General of Arab Federation of Exchanges, organisers and sponsors for hosting this important event in the Kingdom of Bahrain.

INSIDE

CBB Board reviews economic performance for 2014, Q1 2015

The newly appointed Chairman of the Central Bank of Bahrain (CBB) board reviewed the overall performance of the CBB during the year 2014 and the first quarter of 2015, in addition to developments in the financial sector during the last period, and the procedures and policies taken in order to achieve the financial stability and to ensure suitable working environment in line with the best international practices and standards.

The Chairman thanked HM the King on appointing the new board, and also thanked HRH the Prime Minister and HRH the Crown Prince and the 1st Deputy Prime Minister on their blessing of the new board and expressed thanks in their support of the CBB and the financial sector in the Kingdom of Bahrain.

Global Sukuk industry is set to reach $907b

With the growth prospects of Islamic finance remaining bright, the current size of global outstanding Sukuk of U$ 241 billion at end of 2014 is set to reach a staggering figure of US$907 billion by 2020.

"There are more than 800 funds globally that comply with Islamic principles, of which one third of these funds have been launched during the past eight years. Sukuk is another Islamic financial instrument that shows a significant growth during the past five years," Mr. Abdul Rahman Al Baker, Executive Director of Financial Institutions Supervision at the Central Bank of Bahrain (CBB) told the delegates of the 11th edition of annual World Islamic Funds and Islamic Financial Markets Conference.

"The year 2014 saw a revival in the global Sukuk markets and we see a more positive sign in 2015 due to gradual recovery of the global economy, investors' confidence which drives the demand for Sukuk and a number of countries in Europe, Asia and North Africa are expected to launch their Sukuk to fund their infrastructure projects," he said.

Overall, Mr. Al Baker said, the prospects for growth in Islamic financial markets are likely to be positive. "This positive trend can be attributed to the rapid expansion and increasing sophistication of the GCC financial markets, as well as the geographical spread of Islamic products and services that recorded outstanding growth in Europe, Asia Pacific countries, Middle East and North Africa as well as Central Asian countries," he said.

This year's conference was themed 'Building a Transparent and Robust Foundation to Facilitate Growth in the Islamic Investment Industry' had attracted nearly 200 delegates, experts, regulators and banking and financial sector stakeholders.

Touching upon the history of Islamic asset management he said it had come a long way since the late 70s when it began as a way for Islamic banks to make use of their excess funds. "As with other forms of Islamic finance, the industry today is an area that has grown to become an increasingly substantial segment within the international financial markets and has gained significant interest as a viable and efficient alternative model of financial intermediation. Growing demand for investing in accordance with Shari'a principles on a global scale have been the catalyst towards making the Islamic financial services a flourishing industry. Highlighting the importance and growth potential of Islamic finance industry, Mr Al Baker added that according to estimates the total assets of this segment were well over $2trillion at end of 2014 and it had also entered into new promising markets globally such as Europe, Korea, Australia, Brazil, Malta, China and many more.

In Bahrain, Mr. Al Baker said, the mutual funds industry is one of the fastest growing segments of the financial sector. With approximately US$ 7 billion in assets under management, through more than 2,800 funds, the industry has been growing at steady base in recent years.

"The potential size of the Islamic finance market is vast, and the accelerated establishment of Islamic finance hinges on attracting the flow of these potential funds into Islamic investment," said, Mr Al Baker. "It is important to ensure a solid and strong foundation for future development and growth of the Islamic funds, in particular, and investment industry in general."

In order to further enhance the growth and expand the Islamic investment industry, Mr. Al Baker mentioned six crucial areas that need to be taken into consideration.

"There is a need to build a solid financial system that would be able to facilitate efficient capital and trading flows which requires further development of an Islamic financial system with a prerequisite infrastructure that includes (i) Islamic financial institutions ranging from banking, takaful, capital markets, funds, wealth management entities and Islamic endowments (Waqf); (ii) creating a conducive legal and Shari'a framework and (iii) a financial system that has a comprehensive range of Islamic products and services," he said.

He said having an active Islamic financial market was one of the contributing factors that would further enhance the growth of Islamic investment industry. Basically, he added, a vibrant Islamic financial market will facilitate fund raising and investment activities and will enhance the creation of primary and secondary markets for Islamic financial instruments. "In this regard, some progress has been achieved," he commented.

"It is critical for Islamic financial institutions to better understand the clients and their needs for financial products and services, such understanding will help to further expand the horizons of Islamic markets. For example, the investment of Islamic financial institutions should shift focus from key holdings, constituting long term assets with large amounts of real estate, toward new asset classes and markets."

"It is important to further develop Islamic endowments (Waqf) which not only serve as a potentially effective wealth management instrument but also hold significant prospects for large-scale social development and poverty alleviation. Developing financial institutions and trusts that provide advisory services on structuring and managing Waqf assets, enabling these Waqfs to invest in various types of assets without any geographical limitation, free of administrative complexities will further enhance the development of the Islamic investment industry."

"The adoption of high level standards of corporate governance in the Islamic industry remains a key component needed to enhance the confidence of investors and to ensure that markets are fair, efficient and transparent. This includes having proper disclosure requirements of all terms and conditions of the Islamic products, as well as transparency in disclosing financial information and indicators," he said.

Creating an adequate regulatory framework for Islamic investment products is another factor to further strengthen the Islamic investment markets. Such regulation should create the necessary framework for investment products targeting small, medium size, as well as accredited investors, who wish to invest their funds in accordance with Shari'a principles. This regulatory framework should also cater for wide range of Shari'a compliant investment products that include equity, Sukuk, and various types of Islamic funds.

"It is important to have a sufficient number of professionals that are well versed in both the capital markets and Shari'a fields to further develop the Islamic investment industry. This in turn, will further enhance product development and improve the services to investors in the Islamic capital market."

Last but not least, he said, it is important to further enhance talent, education and research and development to improve the efficiency and innovative capabilities of the Islamic financial industry.

"The CBB intends to remain at the forefront of the Islamic finance and investment industry and we look forward to work closely with market players to further develop this key industry."

Islamic funds industry goes global

The Islamic funds industry has grown to become an increasingly substantial segment within the global financial markets and has gained significant interest as a viable and efficient alternative model of financial investment, according a senior official at the Central Bank of Bahrain (CBB).

Mr. Abdul Rahman Mohammed Al Baker, Executive Director of Financial Institutions Supervision at the CBB, who delivered the inaugural keynote address at the 11th Annual Edition of the World Islamic Funds and Financial Markets Conference (WIFFMC) held in May 2015, highlighted the importance of the growing awareness and increasing demand for investing as per Shari'a principles on a global scale, have catalysed industry growth.

Mr. Al Baker emphasised the need to build an enabling environment for the Islamic investments industry and shared insights on new innovations to leverage opportunities in the Islamic funds and investments industry.

Nearly 200 international industry leaders and key decision-makers representing over 115 international and regional organisations attended WIFFMC 2015. Held under the patronage of the CBB, more than 25 industry leaders discussed in detail the current conditions of the regional funds and investments industry, as well as growth opportunities.

Mr. Al Baker reaffirmed that there are opportunities for more effective and efficient channeling of the significant surplus funds "towards the vast productive investment opportunities within and across various key markets for Islamic finance."

"Overall, there are 88 Islamic funds that are incorporated and registered in Bahrain with total assets amounting to US$1.4 billion as of March 2015."

"The CBB, through its enabling legislation, promotes the development of new products for investors in both Islamic and traditional finance, while at the same time providing credible regulation in both areas."

"The existing regulatory framework for Collective Investment Undertakings (CIUs) has provided for a full range of investment funds catering to various types of investors, from retail to high net worth individuals and institutional investors. In order to further enhance the existing CIUs framework, the CBB has issued Volume 7 Rulebook which provides a comprehensive set of rules and regulations pertaining to the authorisation and supervision of CIUs domiciled or offered for sale in Bahrain. The regulation has recognised the importance of expanding key areas such as the corporate governance, as well as the role and responsibilities of each relevant party of a scheme. It also expands the variety of funds that can be established in Bahrain, by introducing rules governing Real Estate Investment Trusts (REITs) and Private Investment Undertakings (PIUs). PIUs are a new breed of investment funds with a high degree of flexibility in structuring, aimed basically to facilitate private investments, the like of a family held investment, single investor or a single investment type. Due to the investment risk characteristics it may exhibit, such type of scheme can only be initiated to high net worth individuals and institutional investors.

In keeping with Bahrain's leadership in Islamic finance, the CIU rules also provide a solid foundation for the establishment and management of mutual funds that comply with Shari'a principles.

"The Offering of Securities (OFS) Module under Volume 6 Rulebook contains detailed rules and regulations that cover the issuing, offering, floating and subscribing to different types and classes of securities, including Shari'a compliant securities like Sukuk offered to the public or through private placement in or from Bahrain. The Module also provides the procedures and documentation that need to be submitted by the issuer as a part of their application to obtain the CBB approval in this regard.

"On its part, the CBB, having pioneered the development of Sukuk, remains active in the sovereign Sukuk market through the issuance of medium to long term Sukuk, complemented by a regular programme of short term issuance. It is the CBB's hope that such initiatives will go a long way in harmonising market practices and further enhancing the Islamic capital market.

The other main speakers at the two day conference, included Sylvain Vieujot, Executive Deputy Chairman, Emirates REIT; Kamran Butt, Managing Director, SEDCO Capital, Ijlal Ahmed Alvi, CEO, International Islamic Financial Market (IIFM) and Dr. Sayd Farook, Head of Islamic Capital Markets, Thomson Reuters.

The WIFFMC exhibition was also held along the sidelines of the conference and showcased the latest products, services and innovations from leading industry organisations.

Bahrain's economic growth unaffected by oil prices

The Kingdom of Bahrain's economic growth has been unaffected by the fall in oil prices, according to Fitch Ratings.

"Real non-oil growth was 4.9% in 2014, driven by tourism, social and personal services and construction. Execution of GCC-financed project work by local subcontractors will support non-oil growth of 4.0%-4.5% over the forecast period. The tourism industry, which is driven by the Saudi Arabian market, is also expected to continue registering high growth. Major expansions to manufacturing projects will contribute to growth. Inflation is forecast to stay below the peer median," Fitch said in their June 5, report.

"Bahrain's external balance sheet is stronger than its 'BBB' rated peers. The net external creditor position of 164% of GDP compares with a peer median of -5.4% of GDP. After 12 consecutive years of current account surpluses, a small deficit is forecast for 2015. The current account is forecast to return to surplus in 2016. Although gross oil exports are over 50% of current external receipts (CXR), Bahrain also imports oil from Saudi Arabia to refine for export products, meaning net oil exports are 25% of CXR," the report added.

"Bahrain's financing flexibility has allowed it to be a regular Eurobond issuer, most recently raising USD1.25bn at a 30-year maturity in August. The domestic capital market continues to provide the main source of financing. The government has active conventional and Islamic issuance programmes and issued its first 10-year domestic Sukuk in January 2015," the report said.

"GDP per capita and broader human development and business environment indicators exceed the 'BBB' median. The strong regulatory framework and local skill base, combined with low costs, are key supports to the financial sector. Bahraini banks have enjoyed strong profitability, rising capitalisation and declining non-performing loans (NPLs). The smaller Islamic banks have continued to merge. The sector is in the process of preparing for the implementation of Basel III regulations, and the Central Bank of Bahrain (CBB) is overseeing measures aimed at improving corporate governance and oversight," the report added.

Fitch forecasts that Brent crude will average USD65/b in 2015 and USD75/b in 2016. Fitch assumes that Bahrain will continue to benefit from the GCC funded projects.

Listing of REITS adds new dimension to realty sector

The listing of the Real Estate Investment Trust (REITS) at the Bahrain Bourse (BHB) is one of the major milestones in the history of the real estate sector's legal frameworks aimed at safeguarding the investors, according to the BHB CEO, Shaikh Khalifa bin Ebrahim Al Khalifa.

"There has been a record interest in this new innovative product ahead of the official listing of the first REIT on the BHB in May 2015," said Shaikh Khalifa Ebrahim Al Khalifa, at a press conference held at BHB HQs marking the start of listing the REITs.

"Following this official commencement on May 17th, the BHB expect to see the $80million REITs to be listed by the year-end."

Talking about the regulatory regime, Shaikh Khalifa said that the Kingdom of Bahrain was second to none, putting Bahrain's financial sector as one of the best regulated entities globally.

Highlighting the salient features of the REITS with regard to investors' interest, he said the Trustees role is an additional protective layer and safety net for the stakeholders.

Shaikh Khalifa said the REIT listing rules were applicable to both Shari'a compliant and conventional REITs.

"Both individual and institutional investors are allowed to list and trade REITs. The rules stipulate the listing requirements that the REIT should comply with at the time of making an application for listing, such as ensuring that the REIT has a minimum asset value of US$20 million or its equivalent in another currency. The rules also state that the REIT or share registrar appointed by the trust shall maintain a register of Unit Holders."

In addition, the rules specify the ongoing obligations that the REIT has to comply with following its listing at the BHB including the directives, circulars, instructions as issued by the BHB from time to time on the subject of REITs, as well as any disclosures of any information related to the REIT. The rules also stipulate that the REIT shall take all reasonable care to ensure that the sale, issue, repurchase effected by a REIT are carried out in accordance with the provisions of the Prospectus and the REIT Listing Rules as well as Volume 7 of the CBB Rulebook and the rules issued by the BHB.

The rules stipulate that the REIT shall ensure that investor reports published shall be made available on the BHB's website and in accordance with the disclosure requirements prescribed by the CBB and the BHB on REITs.

BIBF-LSE announces Degree programmes

The Bahrain Institute of Banking and Finance (BIBF) announced the official launch of the Bachelor of Science Degree in Economics and Management offered in collaboration with the University of London International Programmes.

The programme was announced during a press conference held at the BIBF premises on 16th June 2015, the speakers included BIBF's Deputy Director Dr. Ahmed Al Shaikh and the Acting Head of the Centre for Academics, Dr. Keith Sharp.

"The BIBF is keen to expand its academic offerings as part of its commitment to satisfy business needs across all sectors, and continues to advance the quality of its offerings through strategic partnerships with the world's most prestigious educational and professional institutions. The Higher Education Council's (HEC) recognition of the BIBF's degree programmes allows students to access a variety of different opportunities right here in Bahrain, improving their competitive advantage and strengthening Bahrain's position as a regional financial hub through the quality of its workforce, " said Dr. Al Shaikh during his introduction.

The University of London is one of the world's leading universities, internationally recognised for its high academic standards. This reputation is based on the outstanding teaching and research of its 18 world-class colleges and 10 specialist institutes. Since 1858, University of London degrees have been accessible to students all over the world through the University of London International Programmes and currently boast a reach of over 54,000 students across more than 180 countries.

"The Academic direction for the programme is provided by the Lead College, in this case, the London School of Economics and Political Science (LSE). LSE is a small specialist university with an outstanding reputation not only for academic excellence, but also for extensive engagement with the worlds of government, policymaking and business," said Dr. Sharp.

"Academics at LSE will develop the syllabuses, prepare the study materials, and are responsible for the assessment of students. This means that students benefit from the academic rigour and leading-edge research undertaken by the Lead College. It also helps to ensure that the University of London qualifications are of the same high academic standard, wherever they are achieved," he added.

On successful completion, students will be awarded a University of London degree. The certificate will state that the participant was registered with the University of London and that examinations were conducted by LSE.

The BIBF also highlighted its unique International Foundation Programme, benchmarked by the National Recognition Information Centre (UK NARIC) and comparable to the GCE Advanced level and Scottish Advanced Higher standard. Students who undertake the Foundations Programme at the BIBF can either proceed to the undergraduate programmes offered by the institute in collaboration with leading international universities, or any UK-based university of their choice provided they meet the entry requirements.

The BIBF plays a vital role in the training and development of human capital in the Kingdom of Bahrain. Our commitment to excellence has strengthened our position as the top provider of quality education across all major business disciplines. The BIBF serves as a partner to numerous world-class institutions; delivering thought leadership, research and advisory, assessment and training in the areas of Accounting and Finance, Academic, Executive Development, Banking, Leadership and Management, Insurance, Islamic Finance and Information Technology; resulting in a complete business solution.

FSB RCG-MENA meet discusses financial stability

The 7th meeting of the Financial Stability Board (FSB), Regional Consultative Group for the Middle East and North Africa (RCG-MENA) held in Bahrain in April 2015, discussed the regional financial stability issues.

The meeting hosted by the Central Bank of Bahrain (CBB) in which the members of RCG-MENA and representatives of the Basel Committee on Banking Supervision, IMF and World Bank reviewed the FSB's policy priorities and work plan.

As set forth in the 17 April 2015 letter from the FSB Chairman to the G-20, the priorities fall into three main areas, namely, full, consistent and prompt implementation of the agreed reforms; finalising the design of the remaining post-crisis reforms and addressing new risks and weaknesses.

The participants discussed vulnerabilities and regional financial stability issues. Members exchanged views on global and regional growth prospects and the impact of the recent decline in oil prices. They considered the latter issue from the perspective of both oil importing and oil exporting countries, deliberating the various macroeconomic and financial implications, and possible policy responses.

The members then discussed the impact on the region of a decline in correspondent banking services being offered by international banks, including as a result of possible fear of potential Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) enforcement actions. Members welcomed the planned focus of the FSB on this issue. A loss of correspondent banking services could lead to financial exclusion, hindering the development of emerging market financial sectors or risk driving cross-border financial transactions into the unregulated sector.

The availability of financing for small and medium-sized enterprises and the role that capital markets role was also discussed during the session. The members also deliberated upon the structural issues that influence the capital structure of corporates and possible policy measures to incentivise equity-based financing.

The members also highlighted the importance of the proposed revisions to the standardised approach for credit risk in the Basel capital framework, including proposals to reduce the reliance on external credit ratings.

The RCG-MENA is co-chaired by Erdem Başçı, Governor, Central Bank of the Republic of Turkey and Riad Salame, Governor, Central Bank of Lebanon. As the terms of the co-chairs expire on 30 June 2015, the FSB member co-chair of the RCG-MENA will rotate to Fahad Almubarak, Governor, Saudi Arabian Monetary Agency. At the meeting, the non-FSB members in the RCG-MENA appointed Mubarak Rashid Khamis Al Mansouri, Governor, Central Bank of the United Arab Emirates as the non-FSB member co-chair. The terms of the new co-chairs are for two years, commencing on 1 July 2015.

The current membership of the RCG-MENA includes financial and regulatory authorities from Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, Turkey and the United Arab Emirates.

The FSB Charter stipulates that the FSB "should consult widely amongst its Members and with other stakeholders including private sector and non-member authorities. This process shall include engaging with the FSB Regional Consultative Groups and include an outreach to countries not included in the Regional Consultative Groups. The FSB established six Regional Consultative Groups to bring together financial authorities from FSB member and non-member countries to exchange views on vulnerabilities affecting financial systems and on initiatives to promote financial stability.

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. Through the six regional groups, the FSB conducts outreach with another approximately 65 jurisdictions.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

BHB Board approves trading guidelines of REITs

The Board of Directors of Bahrain Bourse (BHB) approved the trading guidelines of the Real Estate Investment Trust (REITs), following the Board's approval on the listing guidelines of REITs in April 2015.

The BHB Board in its third meeting held on Monday, 15th June 2015 chaired by Mr. Yusuf Abdulla Humood, Chairman of BHB, also approved the trading guidelines of Treasury Bill Issues that are issued by the Central Bank of Bahrain (CBB) on behalf of the Government of Bahrain.

In addition, the Board also approved the Bourse's information technology security policy that states the procedures that should be taken to ensure the protection of the Bourse's technology infrastructure, as well as information transferred via this infrastructure to all related parties.

The Board was briefed on the latest developments at the BHB. The Board reviewed the periodic report on the BHB's performance, other bourses, and GCC stock markets. The Board also discussed the latest developments regarding the BHB's strategic plan, along with the operational plan and its evaluation criteria and made some recommendations in this regard.

The Board discussed the reports and recommendations of the Board's Committees and decided on actions to be taken. The Board requested the executive committee to conduct various studies on subjects related to the work at the BHB.

The rules, published on the BHB's website include the pre-requisites that the REIT has to satisfy in order to be admitted for listing on the Bourse and ensure that they meet the CBB's requirement pursuant to the Financial Trust Law No. (23) of the Year 2006 and Volume 7 of the CBB Rulebook and the rules issued by Bahrain Bourse on REITs.

The rules stipulate the listing requirements that the REIT should comply with at the time of making an application for listing, such as ensuring that the REIT has a minimum asset value of US$20 million or its equivalent in another currency. The rules also state that the REIT or share registrar appointed by the trust shall maintain a register of Unit Holders.

SCW-CBB seeks gender equality in banking sector

The Central Bank of Bahrain (CBB) in cooperation with the Supreme Council for Women (SCW) hosted a town hall meeting on "Gender Fair Workplaces – The Young Perspective." Held at the Bahrain Institute for Banking and Finance (BIBF) Auditorium, the gathering was attended by young female newcomers to the sector.

The meeting was the second in the series of the CBB panel discussions to celebrate and promote the role of "Women in the Financial and Banking Sector" and comes ahead of a conference being held on 30th November 2015 under the patronage of HRH Princess Sabeeka Bint Ibrahim Al Khalifa, Wife of His Majesty the King and President of the SCW.

The town hall session, which was led by Manal Mohammed Mashkoor, Senior Lecturer at the Centre for Insurance at the BIBF, saw attendees discuss the barriers and opportunities for establishing gender fair workplaces for the next generation of women in the industry. This included a lively debate on a variety of issues including those related to achieving equal remuneration and the opportunity to advance to senior leadership roles. Among the primary aims of the upcoming November conference and the activities leading up to it, is to encourage financial and banking institutions in the Kingdom to reinforce their commitment and efforts to apply the principles of equal opportunity in order to support the advancement of women in the sector.

"We are very proud of the high efficiency and professionalism of the female participants in the Town Hall meeting as well as the positive interaction through the discussion and suggestions given to enhance the workplace's environment," H.E Mr. Rasheed Al Maraj, Governor of the CBB, said.

"The CBB support aims to provide an appropriate workplace environment by encouraging female workers in the financial sector in a fair and competitive way," Mr. Al Maraj, added.

"The session provided a genuine two-way dialogue between the young females at the beginning of their careers and the leaders of the financial industry. Encouraging women to climb the career ladder, this event was not only a forum to voice their issues, but also an opportunity to provide recommendations and pave the way to further gender equality in the workplace," Manal Mashkoor, Senior Lecturer at the center for Insurance at the BIBF, said.

"The CBB's support of the Women's Day 2015 is inspiring. Through such initiatives, the regulator is sending a strong message across the financial industry of its commitment to women's career development," she added.

The CBB and the SCW plan additional events as part of the year-long campaign leading up to the November conference.

The initiative has been developed in cooperation with the Kingdom's financial institutions and training and development centres serving the industry. There will be additional town hall sessions and roundtables as well as mentoring programmes. All activities aimed at highlighting successful women role models in the sector while seeking to guide career enhancement and development among the new generation of women in the sector.

Standard Chartered plans 140 days maternity leave

Standard Chartered Bank Bahrain announced the launch of its new employee benefits scheme granting mothers a total of 140 days of maternity leave as well as 10 working days to fathers as paternity leave. The first of its kind benefit in Bahrain's banking and finance and sector will be implemented in January 2016.

The bank said the new maternity leave scheme is in line with the Supreme Council for Women's strategy to empower women in banking and finance sector.

The new Standard Chartered parental leave, which will be effective to all employees from 1st January 2016, provides 80 days half paid maternity leave, in addition to the standard 60 days maternity leave required by Bahrain's Ministry of Labour. Additionally, as per the new scheme, fathers will also benefit from 10 paid working days of paid paternity leave.

"As parents, we all face challenges when our children are born, juggling roles as parents and professionals. I'm delighted to offer this scheme to our employees here in Bahrain, which we hope will help to foster a healthy environment for parents and children alike," said Hassan Amin Jarrar, Chief Executive Officer at Standard Chartered Bahrain.

"This is a first of its kind in Bahrain as it offers not only mothers, but also fathers' official paternal leave when their children are born so they join in with the responsibilities. This new parental leave benefit is a step forward towards a more equal opportunity environment and in line with the strategy of Her Royal Highness, Princess Sabeeka bint Ebrahim Al Khalifa, President of the Supreme Council for Women, focused on empowering women in the banking and finance sector and offering flexibility to parents without having either one compromise his or her career or families," he added.

"We are excited that an entity such as Standard Chartered Bank has taken the initiative to launch such a scheme, which we believe gives overall benefit and welfare to staff. This definitely provides an environment conducive to parents where it helps them adjust to parenthood as well as help create a productive working environment," said Dr Mohammed Al Ansari, Assistant Undersecretary of Labour at Ministry of Labour.

"Being at the forefront to empower women in the banking and finance sector in Bahrain, we are very proud of Standard Chartered Bank's new scheme which is very much in line with the Supreme Council for Women's strategy and theme for this year. One of the key drivers for success is ensuring that women have a safe and healthy environment to work in, knowing that career progression would not be jeopardised when leave is taken. Additionally, the paternal leave given to fathers is also great as the burden of parenthood can be shared when a new child is born. We thank Standard Chartered for their initiative and look forward to more initiatives of the same from more entities," said Dr Donya Ahmed, Acting General Director of Policy and Development at the Supreme Council for Women.

This scheme, which is also implemented in other Standard Chartered branches across the globe, was initiated and funnelled from the bank's global Diversity and Inclusion committee agenda as it recognised through research that women may face tough decisions when it comes to starting families and coming back to work. It also highlights the bank's focus on work-life balance for individuals who strive to ensure success in both universes.

Shari'a non-compliance poses a major risk to IFIs

Shari’a compliance serves as the backbone to Islamic financial institutions (IFIs) and non-compliance continues to pose a major risk to the industry.

This was the root of the presentation conducted by a leading Islamic finance scholar Professor Dr. Akram Laldin from Malaysia during the Waqf Fund’s 8th Shari'a Scholar session hosted by the Central Bank of Bahrain (CBB).

Dr. Laldin serves on several Shari'a Boards including Bank Negara Malaysia's Shari'a Advisory Council, AAOIFI and a number of Islamic financial institutions in Malaysia and globally. The topic under discussion was "The Challenges of Achieving Shari’a Compliance in Islamic Finance".

Internal Shari'a Reviewers and Shari'a Auditors from Bahrain based Islamic financial institutions attended the session, which was held at the CBB’s premises.

Dr. Laldin made a presentation on the key challenges in Shari’a compliance and narrated a number of real life cases from his experience as a Shari’a Board member. This was followed by an interactive session during which the participants asked questions and gave their comments.

Dr. Laldin emphasised Shari’a being the backbone of Islamic finance and therefore Shari'a non-compliance poses a huge risk to the industry. He was of the opinion that all the stakeholders have to play their respective roles; Shari'a scholars have the biggest responsibility to ensure Shari'a compliance in all aspects of the financial institution.

He urged the Shari'a scholars to be proactive in developing themselves through continuous training not just in Shari'a but also other relevant areas such as economics, finance, banking, accounting, law, etc. in order to be able to give a religious verdict after full knowledge and understanding of the matter.

He applauded the role of the first generation of Shari'a scholars in starting and then shaping the industry and stressed on preparing the second and third generation of scholars in order to ensure that the industry continues to progress.

Dr. Laldin identified several key challenges in Shari'a compliance including conventional mindset of key decision-makers and a lack of conviction and belief in what they are doing; not following the right processes; copying conventional products without due consideration to Shari'a; implementation challenges in the absence of understanding of Shari'a; lack of understanding of Shari'a by the auditors; advertising and promotion not in line with Shari’a; restructuring products or transactions without ensuring Shari'a compliance and absence of a Shari'a compliant dispute mechanism.

Dr. Laldin quoted instances where a transaction was restructured without fulfilling Shari'a conditions. He suggested that a Shari'a compliant dispute resolution mechanism be devised at the global level with participation from all the countries active in Islamic finance.

Mr. Khalid Hamad Abdul Rahman, Chairman of the Waqf Fund and Executive Director of Banking Supervision at the CBB, in his speech welcomed the guest scholar and the participants to the session.

“Bahrain has always demonstrated openness and cooperation in Islamic finance with other jurisdictions and such cooperative spirit is critical for the industry to keep its growth momentum,” he said.

He emphasised on the importance of learning from leading Shari'a scholars and urged the participants to attend Shari'a scholar sessions regularly.

CBB launches Wakalah for Islamic retail banks

As part of the ongoing efforts towards the development of Islamic banking and promoting liquidity management for Islamic retail banks, the Central Bank of Bahrain (CBB) launched a new Shari ’a compliant Wakalah liquidity management instrument.

The instrument, which was approved by the Shari’a Board of the CBB, is aimed at absorbing excess liquidity of the local Islamic retail banks by placing it with the central bank. The instrument has been developed, based on a standard contract of the International Islamic Financial Market (IIFM).

The Wakalah is an investment opportunity for retail Islamic banks who wish to deposit excess liquidity with the CBB. Retail Islamic banks need to sign a Wakalah agreement which appoints the CBB as an agent (Wakil) to invest cash on behalf of the bank (Muwakkil).

Accordingly, the Wakil will invest these funds in the investment portfolio allocated in advance, and contains Islamic Sukuks. The duration of the Wakalah is one week and is available for Islamic retail banks every Tuesday.

Shaikh Salman Bin Isa Al Khalifa, Executive Director of the Banking Operations at the CBB said that the CBB had worked hard to develop this service for the Islamic retail banks in order to invest excess funds with the CBB, similar to those carried out by conventional banks.

“This service is a new product in Islamic banking and reconfirms Bahrain's commitment to develop Shari’a compliant products to serve the growing Islamic Banking industry,” he added.

The CBB move has been very well received by the industry since its launch, stating that it would play a vital role in enhancing their profitability and would lead to the overall national economic development of the Kingdom.

The CBB maintained that the Wakalah would play a vital role in enhancing the economic returns of the Islamic banks through smooth deployment of excess funds in a highly credit-worthy scheme. The CBB say that it will also help the Islamic banking industry by offering a wider range of short term quality assets available for the banks to support their long term economic growth.

Previously, Islamic banks in Bahrain have focused on managing their short-term liquidity through the Government of Bahrain’s monthly Sukuk issues programme of 3 and 6 months Sukuks. Through this new launch, the CBB grant all Islamic retail banks in the Kingdom the opportunity to take advantage of an innovative liquidity management instrument in order to deploy their excess liquidity as a Wakalah deposit on a weekly basis, every Tuesday, whereby the excess funds are invested in a portfolio containing high quality Sukuk, consequently helping to manage the banks available cash more efficiently.

Transparency can boost investors' confidence

Experts have called for adopting the highest levels of transparency and disclosures by the Islamic financial services industry to ensure sufficient level of investors' confidence.

This is the crux of the IIFM Seminar on Islamic Financial Markets which was held in Dubai on May 21, 2015.

The International Islamic Financial Market (IIFM) conducted a specialised seminar on Islamic financial markets on the sidelines of its board meeting in Dubai. The seminar was hosted by Natixis Dubai Branch, whose Islamic finance platform offers expertise to all the Commercial International Bank (CIB) business lines across EMEA, Asia and the Americas through a regulated Islamic window in Dubai International Financial Centre (DIFC), Dubai. More than 100 representatives from regulatory bodies, banks, exchanges, universities, law and advisory firms from the region participated in the event.

One of the key points of the seminar was that the Islamic finance industry needed to support the IIFM's efforts in developing standardised financial contracts and product templates in the area of Islamic Capital & Money Market, Corporate Finance and Trade Finance.

Simon Eedle, Managing Director and Group Regional Head for Natixis Middle East, during his speech welcomed the IIFM board of directors, speakers and delegates and congratulated the IIFM on the progress made in the area of standardisation and its positive contribution to the industry.

Mr. Khalid Hamad Abdul Rahman, the IIFM Chairman of the IIFM and Executive Director of Banking Supervision at the Central Bank of Bahrain (CBB) in his opening remarks touched on harmonisation of Islamic financial contracts and product structures being crucial for the development of the industry.

He said that Islamic financial institutions are now benefiting from the IIFM's six published standard agreements. However, he added, the IIFM's upcoming standard agreements will help the Islamic financial institutions further. He also touched upon the tremendous cost saving incentive to the users of the IIFM standards.

"At the Dubai Islamic Economy Development Centre (DIEDC), we believe there is a pressing need to remove the ambiguity surrounding Shari'ah standards and we are putting efforts in initiatives that support the harmonisation of standards in the Islamic finance industry," in his keynote address, Abdulla Al Awar, chief executive of the DIEDC, said.

"In order to protect the rights of various parties especially in cross border Islamic transactions, legal and regulatory framework needs to be developed in various countries along with standardisation of documentation," said Mr. Abdulrazak Elkhraijy, Executive Vice President and Head of Shari'a Group at the National Commercial Bank based in Jeddah, Saudi Arabia.

Mr. Elkhraijy also called upon the industry to ensure better coordination among them, to recognise the growing needs of customers in the fast changing world and to develop innovative products that fulfill their needs. This obviously necessitates enhancement of the skill levels of industry practitioners and Shari'a scholars through specialised training and awareness sessions.

The pragmatically focused executive briefing was led by a number of experienced and respected industry practitioners who assembled from various jurisdictions to provide valuable insight into the key elements of the Sukuk market, Islamic hedging/risk mitigation, liquidity management alternatives and Islamic on-exchange products. The seminar also provided more awareness and better understanding of the IIFM standard agreements and its benefits.

The Chief Executive Officer of the IIFM, Mr. Ijlal Alvi stressed on the need for high standards of disclosure, transparency and governance to ensure sufficient level of investor confidence that will lead to a robust and credible Islamic financial services industry.

Bahrain Bourse closes Q2 on a positive note

The Bahrain Bourse reported a positive performance during June with an index gain of 0.31% reaching 1,367.83 points led by a 6.6% monthly return for the Hotel & Tourism index.

The positive performance was led by the only two traded stocks in the sector, namely Gulf Hotels Group and Bahrain Tourism with monthly returns of 7.8% and 5.6%, respectively at the end of June. The Commercial Banks and the Investment indices recorded marginal gains of 0.1% and 0.3%, respectively.

The Bahrain All Share Index closed in a positive territory when compared to the last month, with the market capitalisation increased by 0.31% at end of June reaching approximately BD8.06 billion and decliners outnumbered the advancers with a margin of 12:9 and the prices of 25 companies remained unchanged.

The value of shares traded decreased by 53.97% to reach BD 7.33million. Also, the volume of shares decreased by 65.83% to reach 27.57million shares, while number of trades decreased by 41.60% to reach 866 trades. The most of the trading was concentrated in the services sector which witnessed BD 3.37million trading of value, capturing 45.89% of the total value of shares traded on the Bahrain Bourse.

The Insurance Index saw a steep monthly decline of 5.4% as three out of the five stocks in the sector declined whereas there were no trading in Al Ahlia Insurance and Takaful International. Bahrain and Kuwait Insurance Co. declined by 8.7% during the month whereas Bahrain National Holding and Arab Insurance Group declined by 8.3% and 1.0%, respectively on the back of a general selling pressure in the sector.

In line with most other GCC markets, trading activity, remained dull with volumes recorded at the lowest monthly levels since March. Around 28 million shares were traded on the exchange during the month of June as compared to 80 million shares during May. Commercial banks accounted for the bulk of these trades recorded at 69% or 20 million shares traded. Total value traded also declined from BD12 million during May to merely BD3 million during June. The average daily volume traded reached 1.3 million shares during June as compared to 4.03 million shares during the previous month. Daily average value traded also declined to BD 0.33 million during June from BD 0.79 million during May.

Gulf Hotels Group topped the chart with a monthly return of 7.8% followed by Bahrain Tourism Company reporting a return of 5.6% followed by National Hotels Company with a return of 4.9% and Al Baraka Banking Group was fourth on the list with a gain of 2.8%.

Bahrain's inward FDI stocks remain highest in GCC

The Kingdom of Bahrain's levels of inward FDI stocks have been robust in recent years, and remained at a similar level in 2014 as in 2013, nearing $1 billion (2014: $957 million; 2013: $989 million), according to the United Nations Conference of Trade and Development's (UNCTAD) World Investment Report, 2015.

Bahrain hosted the regional launch of UNCTAD World Investment Report, 2015 on Wednesday 24th June, where Mr Khalid Al Rumaihi, Chief Executive of the Bahrain Economic Development Board (EBD) made an opening statement.

"In terms of percentage of GDP (55.4%), Bahrain's inward FDI stocks, which reached $18.8 billion in 2014, and this percentage remained the highest in the GCC and well above the global average, emphasising Bahrain's position as one of the region's most open economies," the report added.

Mr Al Rumaihi was joined by Mr. Mohamed Chiraz Bali, representing the Division of Investment and Enterprise at the UNCTAD, who presented the findings of the report to representatives from the private and public sectors, as well as the media along with Dr. Zakaria Ahmed Hejres, Chairman of the MENA Centre for Investment. The launch was jointly organised by the Bahrain EDB and the MENA Centre for Investment.

"There is no doubt that the region, and wider world, still faces a challenging economic climate, as businesses and governments continue to recover from the economic shock of 2008 as well as the current oil price environment, as illustrated by the investment flows outlined in this year's World Investment Report," said Mr Al Rumaihi.

"However there are a number of structural drivers which give cause for a more optimistic long-term outlook in the region, including connectivity, increasing economic integration, and the demographic dynamics."

Mr Al Rumaihi also thanked the UNCTAD for their efforts in preparing the global report, and highlighted that it has become an invaluable tool for policy makers.

The report says that global foreign direct investment (FDI) fell by 16 per cent to $1.23 trillion in 2014, whilst investment into the GCC remained "sluggish" despite continuing robust economic growth.

FDI remained low even in the oil-rich CC, which during 2009-14 accounted for 61 per cent of FDIs of the region. It was down by 4 percent to $22 billion in 2014, despite the GCC having been relatively unscathed by the regional developments and enjoy robust economic growth in recent years. Flows into the United Arab Emirates and Saudi Arabia, the region's second and third largest recipients, registered slight declines and remained about $10 billion and $8 billion respectively. The decline of FDI flows into West Asia, the report says, has occurred within a regional context of weakening private investment and strengthening public investment in relation to GDP starting from 2008. This was most evident in GCC economies and has translated into state-led construction growth focused on infrastructure and oil and gas development, opening opportunities for foreign contractors to engage in new projects in the region through less risky non-equity modes.

Among foreign contractors present in the GCC construction projects market, companies from the Republic of Korea, including Daelim Industrial, Samsung Engineering, Hyundai E&C and Daewoo E&C, have been predominant actors since 2009, displacing established competitors by bidding against traditional top-tier contractors.

The sharp fall in oil prices since 2014 is likely to have had a significant impact on the construction market in the GCC by directly affecting oil and gas projects, but also projects in other sectors through the impact of a fiscal squeeze on government spending. However, huge fiscal reserves will still allow further state spending, and priority will most likely be given to ongoing and strategic projects.

CBB receives Dauphine University delegation

The Central Bank of Bahrain ICBB) received students from the University of Dauphine, Paris in May 2015.

The students of the Dauphine Executive Master Principles and Practices of the Islamic Finance, at the University of Dauphine, Paris led by their academic staff, were eager to gain a further understanding of the financial services industry and the challenges that are faced and learn about Islamic banking and finance and the CBB's role as the industry regulator.

The students were welcomed by a team from the Islamic Financial Institutions Supervision Directorate and sector presentations were conducted explaining the Islamic banking and finance in the Kingdom of Bahrain. The discussions focused on the techniques adopted by the CBB as a supervisory and regulatory body. The visit also provided an opportunity to students to visit the CBB's Currency Museum.

"The CBB always welcomes academic students from universities to assist them in applying their academic knowledge within the practical world of the financial industry," Executive Director - Corporate Services, at the CBB said.

Université Paris-Daupine has always been an innovative institution for both research and education. The unique sense of identity that unites its faculty, researchers, staff and students has been strengthened in recent years by Dauphine's growing autonomy, increasingly global perspective and drive for diversity.

Considered a "Grand Etablissement" since 2004 and EQUIS accredited since 2009, Dauphine is recognised as one of the premier European teaching and research universities in the organisation and decision sciences.

Assessing Risk Culture in Insurance Organisations

The Central Bank of Bahrain (CBB) rules specify insurance firms to carry out an assessment of their capital needs, appropriate to their risk profile, and maintain a process for monitoring and maintaining their actual capital in line with their assessment, as given in paragraph RM-1.1.3 of the module on Risk Management in Part A of the CBB Volume 3 Insurance Rulebook.

In order to have an assessment of their own risk and solvency, the insurance firms need to have an Enterprise wide risk management (ERM) framework which encompasses risk management strategy, policy and effective systems and controls. An effective ERM framework is based on principles that incorporate risk culture and governance. Hence, for insurance firms to carry out an effective assessment of their own risk, solvency and capital, incorporating risk culture though out the organisation is vitally important.

Risk culture reflects the attitude and behaviour of a group of people regarding risk taking and risk management. It is the essence of a risk management system. No matter how good risk management rules and models are, without a good risk culture, they are difficult to create value for a firm. A weak risk culture is one in which employees have little sense of the importance of risk management and their role in it. Such a culture will compromise efforts to manage risk, perhaps fatally. If, on the other hand, risk management is seen as a central part of day-to-day operations, it is likely that a strong risk culture is in place (Lam, 2003). When strong risk culture is embedded in a firm, both top-down and bottom up, better decisions are made and allows for truly effective risk management.

A prominent writer[1] on business culture while commenting on culture has stated that it is a powerful, tacit, and often unconscious set of forces that determine both our individual and collective behavior, ways of perceiving, thought patterns, and values. Organisational culture in particular matters because cultural elements determine strategy, goals and modes of operating.

One of the root causes of the global financial crises is attributed to the failure to have a good risk culture. The Insurance Core Principle 16 (ICP 16) of the Insurance Association of Insurance Supervisors (IAIS) on Enterprise Risk Management for Solvency Purposes, talks about embedding risk culture in the company. The rating agencies also consider risk culture as a key component of an effective risk management. Risk management culture is the degree to which risk management is integrated with corporate decision making.

A healthy risk culture enables people to monitor and manage risk actively and consistently. More risks are likely to be identified and risk issues can be escalated quickly in the organisation. Further, decision makers get high quality risk information timely. In addition, it enables a company to measure its performance using risk adjusted metrics.

As part of risk culture and governance, the insurance firms can consider including a table identifying the risk owners amongst employees, the assigned risk, their role and responsibility, and to which committee/ department they report on their risk management and a flow chart explaining the control processes. The table and flow chart are a good start to articulate roles, responsibilities and accountabilities.

To understand the risk culture, the regulators usually require information about the risk management role, whether it is purely advisory or if the role has an authority to execute its mandate. Further, the level and frequency of interaction of the risk management function with the Board of the firm is also important. Risk culture could also be assessed by knowing if the risk management objectives are coordinated with the business goals.

For understanding the gap between the target risk culture, as given in the risk policy, and actual risk culture, it is important to know the degree to which people in the organisation embrace the risk management policies. It is also important to know the details of risk management practices in the organisation. All of this could be evaluated by interviewing the board members, senior management, risk professionals, and other employees.

Assessing the risk culture of an organisation is a crucial but challenging task. Risk culture may vary from company to company and even among business units or functions of the same company. A comprehensive assessment of risk culture sometimes needs to be done at a more granular level for each business unit and function. A prominent researcher[2] on the subject has suggested a number of questions that could be asked and simple scores that could be assigned to the responses, in order to assess the risk culture of an organisation. The qualitative risk culture evaluation criteria could be based on the following:

- Is there a clear and consistent statement of the firm's risk appetite and risk tolerance?
- Do risk committees include key stakeholders who are the final decision makers?
- When setting business strategies, do senior risk managers provide inputs and have a strong influence on strategic planning and decision making?
- Are risk adjusted measures used for informed decision-making?
- Are risk adjusted measures used for evaluating the performance of senior management?
- Does the incentive compensation policy support the risk management objectives?
- Are there enough qualified risk professionals hired by the firm?
- Are there enough communication and training on risk management in the firm?
- Are risk management policies well documented and distributed throughout the firm?
- Are there formal and effective risk issue escalation policies and processes in place?
- Is whistle blowing encouraged and appropriately rewarded?
- Are employees encouraged to recognize their biases and correct them?

Once the information is gathered, risk culture needs to be rated/ scored. Risk culture, for example, can be rated as weak, standard, or advanced, with an increasing level of healthiness, based on the information provided by the organisation. A weak risk culture is where people passively follow risk policies and rules set up in the organisation. In a standard risk culture people understand the importance and value of risk management and are encouraged to help improve risk management practices in the organisation. In advanced risk cultures people actively participate in all aspects of risk management and cooperate to get to the organisation's target risk profile.

The above assessment could be further refined and the list of risk culture evaluation criteria could be further expanded, if more information could be obtained from other relevant sources.

[1] Schein, Edgar H. The Corporate Culture Survival Guide (2009)

[2] Shang, Kailan. Risk Culture Assessment Based on Own Risk and Solvency Assessment

Lam, J., 2003. In: Enterprise Risk Management: From Incentives to Controls. s.1.:John Wiley & Sons, Inc., pp.67-68

Experts call for Venture Capital ecosystem

Venture capital industry is an important area that needs to be developed for the next phase of economic growth in Bahrain and across the GCC, according to experts.

Experts were speaking as the Waqf Fund hosted the 8th Roundtable Discussion on "Venture Capital – Building the Next Phase of Economic Development in Bahrain" at the Central Bank of Bahrain (CBB) premises on 6th May and the participants discussed the salient features of Venture Capital industry.

The half-day session was attended by a select group of 39 senior professionals including CEOs of Islamic banks, entrepreneurs, academics, Shari'a scholars, CBB officials, AAOIFI, CIBAFI, audit firms and law firms.

The Roundtable kicked off with presentations from the CBB and Venture Capital Bank, highlighting the concept and Bahrain's experience in venture capital. Mr. Ralph Kietel from International Finance Corporation informed the audience about the experiences, best practices and role models in this area. Mr. Ihsan Jawad, the founder of Zawya shared his experience as an entrepreneur and later as a venture capitalist. The presentations session was followed by an open discussion wherein the participants openly shared their views on the subject and discussed the challenges and opportunities faced by this segment of the global economy.

The participants view Venture capital as an important industry that needs to be further developed in Bahrain and the GCC not only because of the financial returns but also due to the economic and social benefits such as job creation.

They were of the view that an ecosystem is needed to create a vibrant venture capital industry, which includes favorable regulatory, accounting, and legal environment, availability of skilled resources, close link between the academia and the industry, availability of exit avenues through capital market and cultural acceptance of failure. It may take several years to build a healthy venture capital ecosystem with patience and consistency if no high level intervention is involved.

Highlighting the role of the Government, the experts say that there is a strong case for the government to kick-start the venture capital industry by providing matching funds, setting up incubators, incentivising and developing talent and other measures in line with other countries' experiences where the government led the development of such industry and the private sector followed.

The financial industry believes that a change of mindset is required among capital owners of the region; the availability of institutional risk capital to entrepreneurs with talent, ideas and experience can be a game-changer for the region's economies and people.

Highlighting the role of venture capital for the development of the industry, the participants stated that Bahrain and the GCC region should adapt some aspects of the global venture capital role model and customise it to suit the region's needs, e.g. focus more on SMEs rather than high technology sectors, encourage corporate venture capital, encourage sovereign wealth funds to increase their allocation for alternative asset class, have specific government intervention where needed, etc.

"Venture capital is true Musharaka in spirit and should therefore be encouraged by Islamic financial institutions; however, more research may be needed to ascertain the Shari'a legitimacy of certain tools and structures used by venture capital companies e.g. preference shares, drag along and tag along rights, etc."

"Retail Islamic banks may carefully think before participating in venture capital as the high risk nature of the business may not be in line with the unsophisticated retail money they are entrusted with.

"The GCC region is witnessing selective successes in the digital media and mobile applications space; such stories should be picked up by the media and celebrated in order to create role models for the youth of the region.

"Universities need to introduce courses on entrepreneurship and invest more on research and development with emphasis on applied research, and Bahrain Investment Market, announced recently by the Bahrain Bourse, is a good platform to facilitate exit avenues for small to medium sized companies."

The recommendations from the roundtable discussion will be compiled by the Waqf Fund for further consideration of the relevant authorities.

CBB hosts workshop on stress testing

The Union of Arab Banks conducted a specialised workshop under the patronage of the Central Bank of Bahrain (CBB) titled "stress testing techniques and capital planning according to Basel III', at the Gulf Hotel Manama, Bahrain in April 2015.

The workshop was aimed at defining the functions and features of macro, stress tests and enable the risk management employees in banks to identify the types of stress tests at the portfolio level and how they are applied in practice, as well as identifying banks' responsibilities for internal capital planning processes and determining the level of capital that is commensurate with the overall risk profile.

The workshop conducted by Rabih Nehme, Head of Risk Assessment Department Banking Control Commission of Lebanon, Stephen Williams, Chief Financial Officer (CFO), Gulf International Bank of Bahrain (GIB) and Antoine Meouchi, Group Head of Risk Integration and Aanalytics, Bank Audi Lebanon.

The lectures were followed by discussions on practical cases and exercises covering all the workshop themes.

Cairo Amman Bank gets CBB nod to open a branch

The Central Bank of Bahrain (CBB) has granted a license to Cairo Amman Bank to open a branch in Bahrain. The license allows the bank to expand its activities as a wholesale bank within Kingdom of Bahrain.

The bank was formally founded in 1960 under the regulation of the Central Bank of Jordan and it is listed on Amman stock exchange.

"We welcome Cairo Amman Bank's decision to choose Bahrain as their financial hub to extend the bank's existing operations to financial institutions in Bahrain and the region," said Mr. Ahmed Abdulaziz Al Bassam, Director of Licensing and Policy at the Central Bank of Bahrain.

Financial Sector Fact Sheet

Regulator: Central Bank of Bahrain
Financial Institutions: 403 (June 2015)
Financial Sector Workforce: 14,009 (2012)
Bahraini nationals 9,253 (66%)
Foreign nationals 4,756 (34 %)

Key Economic Indicators

GDP (Current) US$32.8 billion (2013)
Growth 6.8% (2013)
GDP (Constant) US$28.6 billion (2013)
Growth 5.5% (2013)

Financial Sector contribution to GDP 16.7%
Sovereign Rating
BBB- (S&P February 2015) with stable outlook
BBB (Fitch December 2014) with stable outlook
Population 1,253,191 (2013)

Banking Sector

Assets US$189.1 billion (February 2015)
No. of institutions 113 (June 2015)
Retail banks 28
Locally incorporated 13
Branches of foreign banks 15
Wholesale Banks 74
Representative Offices 9
Bank Society 1

Islamic Banks (included in left):
No. of banks 24 (June 2015)
Assets US$25.1 billion (February 2015)

Insurance Sector

Total No. of Insurance Companies & Organisations Authorised in Bahrain 152 (June 2015) * excluding Appointed Representative
Domestic market
Gross premiums US$685 million (December 2013)
No. of insurance firms 35
Locally incorporated insurance firms 25
Takaful & Retakaful Firms (included above) 7
Captives (locally incorporated, included above) 1
Overseas insurance firms 10
Insurance Brokers 31
Insurance Consultants 4
Insurance Managers 3

Representative Offices 4
Registered loss Adjusters 10
Registered Actuaries 27
Insurance Ancillary Services 6
Insurance Pools & Syndicates 2
Insurance Society 1
Insurance Licensees Restricted: 29
Insurance Firms restricted: 23
Insurance Brokers restricted: 4
Insurance Consultants restricted: 2
Insurance Appointed Representative 16
Corporate 11
Individual 5

Investment Business Firms

No. of firms 61 (June 2015)
No. of Investment Business firms 52 (June 2015)

Representative Offices 8
Bahrain Asset Manager Association 1

Specialised Licensees

Total no. of institutions 52 (June 2015)
Money Changers 19
Fund Administrators License 3
Registered Administrators 1
Financing Companies 8

Microfinance Institution 2
Trust Service Providers 3
Ancillary services 15
Registered Professional Body 1

Capital Markets

Market Capitalisation US$21,375,609,379 (June 2015)
No. of firms 26 (June 2015)
Licensed Exchanges 2
Licensed Clearing, Settlement and Central Depository Systems 1

Licensed Securities Brokers 4
Licensed Securities Clearing Member 6
Licensed Securities Broker Dealers 13

Funds Industry

Authorised Funds 2,885 (June 2015)
NAV US$6.46 billion (March 2015)

Local Funds (CIUs) 83
NAV US$3.48 billion (March 2015)
Conventional-Local (CIUs) 47
Islamic-Local (CIUs) 36
Locally Incorporated (PIUs) 8
Foreign Funds-Offshore 2,794 (June 2015)