



A Guide to the CBB's Licensing Process

1. Introduction

The following is a brief summary of the Central Bank of Bahrain's (CBB) licensing process and other related matters, such as the requirement for a commercial registration. It is purely a guide and does not constitute the CBB's formal requirements for licensing, which can be found in the relevant Volumes of the CBB's Rulebook.

The CBB welcomes feedback: any comments on this guide and requests for further information should be addressed to the Director, Licensing & Policy Directorate, at the CBB (see contact details at the end of this Guide).

2. What activities require a CBB License?

In general, any person wishing to offer regulated financial services to or from the Kingdom of Bahrain on a commercial basis requires a license from the CBB. The CBB Rulebook provides definitions of what constitute regulated financial services in the modules dealing with licensing/authorisation. See Modules LR in Volumes 1 and 2, for conventional and Islamic banks respectively; Modules AU in Volume 3 and 4, for insurance and investment business firms respectively. For financing companies, money changers, administrators and representative offices, reference should be made to the relevant specific Module AU under Volume 5 (Specialised licensees).

Until Module AU of Volume 5 of the CBB Rulebook is issued for all other specialised licensees, please refer to the 'standard conditions and licensing criteria' documents that can be downloaded from the CBB website for remaining specialised licensees (i.e. trust service providers and ancillary service providers).

For Volume 6 licensees from the capital markets sector, reference should be made to following Modules: 1) Module MAE for licensees managing and operating markets and systems for trading in securities and financial instruments; 2) Module MIR for market intermediaries and representatives (i.e. brokers, dealers and broker-dealers); and 3) Module CSD for those



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licensees managing and operating clearing, settlement and central depository systems.

Collective investment undertakings (CIUs) should refer to Volume 7.

3. Should I meet with the CBB before submitting an application?

Potential applicants are strongly encouraged to contact the CBB at an early stage to discuss their plans, for guidance on the CBB's license categories and associated requirements. The Licensing & Policy Directorate would normally expect to hold at least one pre-application meeting with an applicant, prior to the formal submission of an application.

Potential applicants should initiate such contact in writing, setting out a short summary of their proposed business and any issues or questions that they may have already identified, once they have a clear business proposition in mind and have undertaken their preliminary research. The Central Bank can then guide the applicant on the specific areas in the Rulebook that will apply to them and any associated regulatory requirements (such as corporate governance or capital) that they must address in their application.

4. How does the licensing process work?

Under Articles 44 to 47 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law'), the application process is a single phase process with the CBB required to take a decision within 60 calendar days of an application being deemed complete (i.e. containing all required information and documents). The application itself consists of a completed Form 1 (Application for a License), together with all supporting documentation as specified in the Licensing Section of the relevant Module LR or AU, under cover of a letter signed by an authorised signatory of the applicant.

Once the application has been submitted and reviewed by the CBB's licensing committee, the CBB may provide an initial 'in principle'



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confirmation that the application has been reviewed and the applicant may proceed to the next stage of the licensing process whereby remaining information and documents (a schedule of which will be attached to the letter) must be submitted in order to proceed.

Such a confirmation does not constitute a license approval, nor does it commit the CBB to issuing a license. Note also that no confirmation will be issued unless certain key pieces of information, such as the proposed Board members and shareholder controllers, are included in the license application. Further details on these required pieces of information are included in the Rulebook.

Applicants must not on any account either hold themselves out as being licensed, or undertake any regulated services, until after their formal application has been submitted and fully approved. A breach of this rule may, of itself, constitute grounds for refusing the application. It is also a contravention of the CBB Law (cf. Articles 40 and 41), which carries a maximum penalty of BD 1 million.

License applications are reviewed for compliance with the relevant licensing conditions, as specified in the CBB Rulebook, together with the specified information and documentation required. If a license is granted, the CBB will notify the applicant of the fact in writing, and is also obliged to publish the fact in the Official Gazette. The license may subject to such terms and conditions as the CBB believes necessary, and will in all cases list the specific regulated services for which approval has been granted. In instances where an application is rejected, the CBB will notify the applicant in writing, stating clearly the reason for rejection.

5. How long does it take?

The CBB endeavours to process applications as quickly as possible, consistent with its obligations to ensure that its regulatory requirements are fully satisfied. On average, the whole process is likely to take between 3 to 6 months.



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The process of reviewing a formal application and providing an 'in principle' confirmation may take anywhere between a few days to a few months, depending on the scale and complexity of the proposed license application, the completeness of the information provided, and the responsiveness of the applicant and third parties (such as home regulators in the case of proposed branches or subsidiaries of foreign institutions), in providing required information.

Where an application is formally submitted, the CBB has 30 calendar days from the time of receipt in which to request further information. Once the application is deemed complete, the CBB has 60 calendar days in which to reach a formal decision.

6. What fees does the CBB charge?

The CBB charges a fixed application fee of BD 100, which applies regardless of the type of license being sought. This fee is non-refundable, and is additional to the annual license fee charged to licensees, should the application be successful.

The annual license fee charged depends on the type of license held. Some fees are variable and for some license categories a fixed fee is charged. Variable fees are based on a percentage of an institution's adjusted operating cost base, subject to a minimum ('floor') and maximum ('cap') amount. Full details are given in the relevant Rulebook Volume.

The floors and caps, and fixed fees, are listed in the following table:

License Category	Annual License Fee (in Bahraini Dinars)
Retail Bank	30,000 (floor) / 240,000 (cap)
Wholesale Bank	13,000 (floor) / 100,000 (cap)
Insurance Firm	6,000 (fixed fee)
Insurance Firm (captive)	1,000 (fixed fee)
Insurance Broker (Individual)	175 (fixed fee)
Insurance Broker (Corporate)	500 (floor) / 3,000 (cap)
Insurance Consultant	500 (floor) / 3,000 (cap)
Insurance Manager	500 (floor) / 3,000 (cap)



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Category 1 Investment firm	6,000 (floor) / 24,000 (cap)
Category 2 Investment firm	4,000 (floor) / 12,000 (cap)
Category 3 Investment firm	1,000 (floor) / 4,000 (cap)
Financing Company	6,000 (floor) / 24,000 (cap)
Money Changer	300 (floor) / 6,000 (cap)
Trust Service Provider	2,000 (fixed fee)
Ancillary Services Provider	500 (fixed fee)
Representative Office	3,000 (fixed fee)
Administrators	500 (fixed fee)
Locally incorporated SPVs established by CBB licensees in Bahrain	1,000 (fixed fee)
Mutual funds – locally incorporated	2,000 (fixed fee)
Microfinance institutions	1,000 (fixed fee)
Managing and operating markets and systems for trading in securities and financial instruments (fixed)	15,000 (fixed fee)
Managing and operating clearing, settlement and central depository systems (fixed)	10,000 (fixed fee)
Licensed discount broker (fixed)	200 (fixed fee)
Licensed broker (fixed)	300 (fixed fee)
Licensed dealer (fixed)	1,000 (fixed fee)
Licensed broker-dealer (fixed)	2,000 (fixed fee)
Licensed clearing member (fixed)	5,000 (fixed fee)

Annual license fees are charged on a calendar year basis. The majority of license fees are due on 1st December of the previous year for which the fees are due.

For new licensees, the first annual fee is invoiced shortly after the license is issued, and is applied on a pro-rata basis or a minimum fixed amount to cover the remaining period left in the calendar year in which the license was issued. For those licensees that are subject to a variable fee amount, the pro-rata scaling is applied to the floor amount of the license category in question, rather than the adjusted operating cost base. Normal fees, as outlined above, are payable from the second year onward.



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7. What forms do I need?

Details on the forms required are given in the relevant Rulebook Volume. (See Modules LR in Volumes 1 and 2, Modules AU in Volumes 3, 4 and 5, Module MIR, MAE and CSD for Volume 6 and Module ARR in Volume 7). For ancillary service providers and trust service providers, pending finalisation of Volume 5 of the CBB Rulebook, please refer to the applicable relevant 'standard conditions and licensing criteria' document.

Applicants have to submit (i) Form 1, a license application form; (ii) Form 2, a form detailing the proposed licensee's controllers (holding 10% or more of the issued shares); and (iii) Form 3, personal questionnaire forms for each proposed director and senior manager. In instances where the application is for a foreign branch, Form 2 should be completed by the parent entity.

The forms can be downloaded from the CBB's website (please refer to the Laws and Regulations section of the website; the forms are contained in Part B of the relevant Rulebook Volume).

8. Which CBB rules will apply to me?

The rules that apply to a licensee vary according to the license category held. Most CBB regulations are now contained in the CBB's Rulebook, which at the time of writing cover conventional bank licensees (Volume 1), Islamic bank licensees (Volume 2), insurance licensees (Volume 3), investment business licensees (Volume 4), specialised licensees (Volume 5), capital market licensees (Volume 6) and collective investment undertakings (Volume 7). The complete contents of these Rulebook volumes can be accessed from the CBB website.

Remaining license categories (ancillary service providers and trust service providers) are subject to standard conditions and licensing criteria available on the CBB Website under Rulebook Volume 5.



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9. Where can I find further information?

Please contact the Licensing & Policy Directorate for further information:

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