



EDBS/KH/0219/2010
5th December 2010

Chief Executive Officer
All Banks
Manama
Kingdom of Bahrain

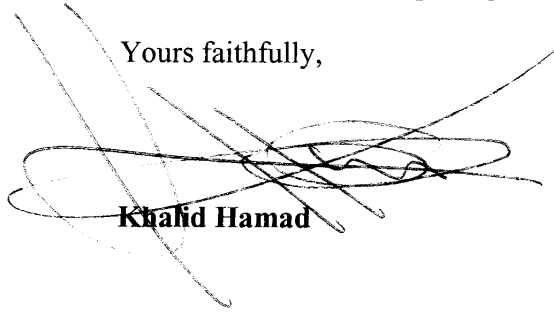
Dear Sir,

Sound Compensation Practices for Licensed Banks

The Basel Committee on Banking Supervision (BCBS) issued in January 2010 principles and standards on compensation (<http://www.bis.org/publ/bcbs166.htm>). More recently, the BCBS has issued a consultative document dealing with the Range of Methodologies for Risk and Performance Alignment of Remuneration (<http://www.bis.org/publ/bcbs178.htm>). The CBB is in the process of reviewing both of these documents and intends to incorporate these international standards as part of its regulatory framework.

All banks are being requested to provide their comments to the CBB on the above-noted BCBS documents. The comments provided will be taken as a basis to formulate proposed amendments to Volumes 1 and 2 of the CBB Rulebook. Banks are requested to send electronically their comments on the BCBS documents to Mr. Ahmed Al Bassam, Director of Licensing & Policy at albassam@cbb.gov.bh and Mrs. Ebtisam Al Arrayed, Head of Policy & Central risk at earrayed@cbb.gov.bh by 13th January 2011.

Yours faithfully,



Khalid Hamad