EDBS/KH/C/13/2016
20th March 2016

Chief Executive Officer
All Banks
Kingdom of Bahrain

Dear Sir,

**Proposed Amendment to Remuneration Rules**

As a follow up to the implementation of the remuneration rules introduced in 2014, the Central Bank of Bahrain (‘CBB’) has received feedback from banks requesting certain amendments dealing with the variable proportion of remuneration which proved to be difficult to implement to existing contracts. In light of the comments received the CBB is proposing to introduce the following amendment:

**HC-5.4.30A** In Subparagraph HC-5.4.30(a), the word ‘substantial’ refers to a proportion of the total remuneration above 40%. Where employment contracts that are in place have a lower level of variable remuneration, the bank concerned should agree with the CBB on alternative arrangements.

**HC-5.4.30B** The requirement in Paragraph HC-5.4.30(a) applies to new employment contracts only. Existing employment contracts, at the time this requirement was issued (i.e. January 2014), will be grandfathered, and are not subject to this requirement. However, in instances, where an approved person is promoted to a higher position within the same bank, the requirements in HC-5.4.30 will apply.

The CBB requests all banks to provide their comments, including ‘Nil comments’ on this consultation letter by 3rd April, 2016. Please submit your comments electronically to Mr. Ahmed Al Bassam, Director of Licensing & Policy and Mrs. Ebtisam Al Arrayed, Head of Policy & Central Risk at consultation@cbb.gov.bh.

Yours sincerely,

Khalid Hamad