

**Industry Comments –Revised CIU Module CBB Rulebook Volume 6
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Industry Comments	Ref.	CBB’s response
General Comments:		
<p>A licensee asked if funds need to amend their PPMs in accordance with the new rules.</p>	A	Yes, if need be.
<p>A licensee stated that engaging independent consultant on a more frequent basis to provide valuation will increase the cost. Green and brown field projects valuation is not expected to change frequently.</p>	B	Frequency of valuation is specified for retail and expert funds only. Those funds invest in liquid investments, and valuations are readily available in normal market conditions. As for exempt funds, the valuation has to be specified in the prospectus, depending on the type of investments.
<p>A licensee: in order to issue units in funds, banks must establish a legal entity with a separate BOD and operating structure. Besides the cost, this will also trigger accounting issues like consolidation. This clearly contradicts AAOIFI guidelines which require RIAs to be treated as off-balance sheet.</p>	C	Disagree. Having a separate legal structure for a CIU is a requirement that existed for many years. In addition, AAOIFI guidelines are in relation to “investment accounts” not “CIUs”. Accounting treatment of the bank’s investments in a CIU or its holding legal vehicle should be discussed with the bank’s auditors.
<p>A licensee: need clarification with regards to retail, expert, and accredited investors. Volume 1 provides for 2 categories, retail and accredited, and states that retail investors are those not classified as accredited (BC-8.4.3).</p>	D	The reference in Volume 1 relates to the clients entering into banking transactions, and investment transactions other than CIUs. As for CIUs, the classification differs. There is a specific definition of expert and accredited investors, but there is no specific definition for retail, simply because any person can invest into retail CIUs. However, not all investors are eligible to invest into expert CIUs, those with minimum financial assets of less than

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		<p>USD 100,000 will not be able to do so. In any case, the placement agent has to profile CIUs as products and consider which category they fall under, and who is eligible to invest into them.</p> <p>In addition, we cannot use the banking definition of retail investors, because it would imply that an accredited investor cannot invest into retail CIUs, just because the investor is not considered a retail investor.</p>
<p>A raised comment: throughout the module, the word “legal documents” need to be replaced by “documents”.</p>	<p>E</p>	<p>Agree, text will be amended.</p>

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Proposed Rule	Comments		CBB's Response
<i>Table of Contents, CIU-7, Real Estate Investment Trusts (REITs)</i>	A raised comment: this should read as Bahrain Domiciled Real Estate Investment Trusts (B-REITs).	F	Agree, text will be amended.
<i>CIU-A.1.4 Module CIU distinguishes between CIUs that are classified as retail CIUs, which may be offered to all types of investors, and expert CIUs, which may only be offered to expert investors (as defined in this Module). Retail CIUs are subject to more restrictive investment rules, aimed at protecting the general retail investor. Module CIU also defines a category of exempt CIUs. CIUs that fall under this category are largely exempt from the requirements contained in this Module; however, they may only be offered to a very restricted investor base („accredited investors “). Additionally, Module CIU addresses the requirements for REITs and to register private investment undertakings (PIUs),</i>	A raised comment: REITs should be replaced by the full name and short form as follows: Bahrain Domiciled Real Estate Investment Trusts (B-REITs).	G	Agree, text will be amended.

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<p><i>which may only be offered to high net worth investors and institutional investors, subject to the terms and conditions outlined in chapter CIU-13.</i></p>			
<p><i>CIU-1.2.1 Collective investment undertakings (, CIUs ") are undertakings: (a) The sole object of which is the collective investment of capital raised from the public or through private placement, including investments seeded by the operator, in financial instruments and other assets and which operates on the basis of risk-spreading as appropriate; and (b) The holdings of which may be re-purchased or redeemed out of those undertakings " assets</i></p>	<p>A licensee: in (b), holdings are re-purchased or redeemed out of those undertakings, how does this apply to close-ended funds as defined in <i>CIU-1.2.4 Closed-ended funds are CIUs with a limited number of holdings. Where the fund vehicle is a company, holdings can take the form of shares. New holdings are rarely issued after the fund is launched and are not normally redeemable until the fund is liquidated. Typically, an investor can acquire or dispose of holdings in a closed-ended fund by buying or selling them on a secondary market, from a market intermediary or another investor, rather than by dealing with the CIU itself.</i></p> <p>A raised comment: need full stop for point (b).</p>	<p>H</p> <p>I</p>	<p>For close –ended funds, the units are redeemed at maturity. Text will be amended by adding “as appropriate” after “undertakings’ assets”.</p> <p>Agree, will be amended accordingly.</p>
<p><i>CIU-1.2.9 Each Bahrain domiciled CIU must have its separate legal vehicle</i></p>	<p>A licensee: this requirement is cumbersome and costly, and out of step with international norms.</p>	<p>J</p>	<p>The decision that each CIU has its own vehicle was taken by CBB to protect investor’s interest. The CBB will allow umbrella structures, once a suitable legal structure becomes available.</p>

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<p><i>CIU-1.2.14 Expert CIUs are CIUs that may be offered only to expert investors, and impose a minimum initial investment of USD10,000 (or its equivalent in any other currency).</i></p>	<p>A licensee: what risks associated with expert CIUs that need to be conveyed to investors?</p>	<p>K</p>	<p>Risks are explained in Rule CIU-1.2.19 “<i>Expert CIUs are subject to less restrictive requirements than retail CIUs: specifically, expert CIUs have greater investment flexibility, notably in terms of asset classes and risk concentration limits. They therefore potentially offer higher risks and are only suitable for expert investors, who are better able to assess those risks than less sophisticated investors</i>”.</p>
<p><i>CIU-1.2.18 Exempt CIUs are lightly regulated CIUs that may be offered only to accredited investors, and impose a minimum initial investment of USD 100,000 (or its equivalent in any other currency).</i></p>	<p>A licensee: what risks associated with exempt CIUs that need to be conveyed to investors?</p>	<p>L</p>	<p>Risks are explained in Rule CIU-1.2.18 “<i>They are not subject to any restrictions on their investment policies, as a result of which they may exhibit high risk characteristics, such as high levels of leverage and the taking of large speculative positions. As such, exempt CIUs may only be offered to a highly restricted investor base (i.e. those defined as accredited investors).</i>”</p>
<p><i>CIU-1.2.21 Accredited investors are:</i> <i>(a) Individuals holding financial assets (either singly or jointly with their spouse) of USD1,000,000 or more;</i> <i>(b) Companies, partnerships, trusts or other commercial undertakings, which have financial assets available for</i></p>	<p>A licensee: notes that the CBB has maintained consistency between the rulebook volumes in the definition of accredited investors. This is a commendable step that will help licensees manage their activities without too much of complications.</p> <p>A licensee: the criteria that the investor must hold a minimum financial assets worth of USD 1 mn may deprive otherwise qualified investors</p>	<p>M</p> <p>N</p>	<p>This is a complement to CBB.</p> <p>This requirement is in existence since the issuance of the module back in June 2007, the aim of which is to ensure the investor</p>

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<p><i>investment of not less than USD1,000,000; or (c) Governments, supranational organisations, central banks or other national monetary authorities, and state organisations whose main activity is to invest in financial instruments (such as state pension funds).</i></p>	<p>from taking part in valid and acceptable investments</p>		<p>understands, <u>and is able to digest</u>, the risk of the underlying investment.</p>
<p><i>CIU-1.3.14 The CIU must be marketed within a period not exceeding 6 months from the date of authorisation.</i></p>	<p>A licensee: Rules CIU-1.3.15, CIU-1.4.15, and CIU-1.5.17, point b, requires “A written confirmation to the CBB stating that the CIU has been launched, within a period not exceeding 6 months from the date of registration”. It is not clear whether the 6 months period is for the launch of the fund or for completing the process of raising resources.</p> <p>A licensee: a uniform period of closure for all type of funds may not be practical, as sector specific CIUs may take more time to raise resources.</p>	<p>O</p> <p>P</p>	<p>This applies to Rules CIU-1.4.14 and CIU-1.5.16.</p> <p>This will be amended for consistency. In CIU-1.3.14, CIU-1.4.14, and CIU-1.5.16, MARKETED will be replaced with LAUNCHED.</p> <p>Agree, but specifying different timeframes for different types of funds is very difficult, given the variety of funds available in the market. Anyway, Rules CIU-1.3.16, CIU-1.4.16, and CIU-1.5.18 allows those funds who cannot launch within the 6-months time period to ask for an extension.</p>
<p><i>CIU-1.3.21 Each Bahrain domiciled retail CIU authorised by the CBB is subject to an annual fee of BD 2,000. In the</i></p>	<p>A licensee: referred to Rule LR-4.2.9A “Conventional bank licensees must pay a fixed annual fee of BD 1,000 for each locally incorporated SPV in Bahrain which is under</p>	<p>Q</p>	<p>BD 2000 is a small amount, and is paid for the fund, not the SPV. However, Rule LR-4.2.9A of CBB rulebook Volumes 1 and 2, and the corresponding rules</p>

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<p><i>case of umbrella funds, each sub-fund is also charged BD 2,000 a year. The fee is payable at the beginning of the year but not later than April of each year.</i></p>	<p><i>the control of and/or providing an actual business function, service or activity (whether actively or passively) for the bank and/or others at the bank's direction or having been established under the bank's direction for that purpose” and stated that banks already pay fees for SPV. To avoid duplicate, the licensee recommends that the annual fees to be set at BD 1000, and exempt those licensees required to pay fees for the SPVs in accordance to the requirements in their own rulebooks.</i></p> <p>A licensee: whilst BD 2000 does not appear significant, it may prove costly for licensees that have a large volume of business in the long run, and may impede the development of this sector. We urge the CBB to consider the imposition of the fees or set a cap for such fees.</p>	<p>R</p>	<p>in other volumes, will be amended to state that it excludes SPVs of Bahrain domiciled CIUs.</p> <p>This fee was imposed on 1st March 2007 via resolution No. 1 issued by the CBB’s BOD, and is usually paid by the fund itself, not the licensee, unless the fund did not operate, in such case, the licensee pays the fees.</p>
<p><i>CIU-1.4.19 Where the CBB proposes to refuse an application for authorisation, it must give the applicant written notice to that effect. Applicants have 30 calendar days from the date of the written notice to appeal the decision.</i></p>	<p>A raised comment: in order to be consistent with CIU-1.3.19, need to add “The application for appeal must be made to an Executive Director or more senior official of the CBB”.</p>	<p>S</p>	<p>Agree, text will be amended.</p>

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<p><i>CIU-1.4.24 Where the fee specified in Rule CIU-1.4.21 is paid, it exempts those Bahrain domiciled expert CIUs wishing to list on a licensed exchange in Bahrain from having to pay the listing fee normally levied by the licensed exchange.</i></p>	<p>A raised comment: this is not available in retail CIUs section. Need to be added after Rule CIU- 1.3.23.</p>	<p>T</p>	<p>Agree, text will be amended.</p>
<p><i>CIU-1.5.21 Where the CBB proposes to refuse an application for registration, it must give the applicant written notice to that effect. Applicants have 30 calendar days from the date of the written notice to appeal the decision.</i></p>	<p>A raised comment: similar comment to rule CIU-1.4.19 above.</p>	<p>U</p>	<p>Refer to S above.</p>
<p><i>CIU-1.5.26 Where the fee specified in Rule CIU-1.5.23 is paid, it exempts those Bahrain domiciled exempt CIUs wishing to list on a licensed exchange in Bahrain from having to pay the listing fee normally levied by the licensed exchange.</i></p>	<p>A raised comment: those funds are marketed on private basis, this rule need to be removed.</p>	<p>V</p>	<p>Agree, this rule will be removed from all types of CIUs.</p>

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<p><i>CIU-1.6.7 In authorising/registering overseas domiciled CIUs which are Shari “a compliant, the CBB expects such CIUs to meet the requirements outlined in the Shari “a Compliant CIUs Chapter of this Module.</i></p>	<p>A law firm: in practice, this might not be feasible, as the chapter has requirements like complying with AAOIFI standards. Not all rules in the chapter can be applied to overseas funds.</p>	<p>W</p>	<p>Agree, this will be amended by adding the write-up in Rule CIU-8.1.5 stating that “<i>Alternatively, the CBB may accept other specific arrangements as having equivalent effect</i>”.</p>
<p><i>CIU-1.7 Recognized Jurisdiction</i></p>	<p>A licensee: would like to know if DIFC is included in the GCC “approved” regulatory authorities.</p> <p>A licensee: the CBB should consider including a clarification in this section regarding any jurisdiction not listed and the procedures that would be taken by CBB in evaluating the acceptability of such other jurisdiction.</p>	<p>X</p> <p>Y</p>	<p>Yes, as far as the funds have a similar structure to CBB’s funds.</p> <p>Rule CIU-1.6.3 states that retail and expert CIUs not from recognized jurisdiction need to apply for authorization instead of registration. Evaluating acceptability of jurisdictions is done on a case by case basis.</p>
<p><i>CIU-2.1.1 A relevant person for the purpose of Module CIU, is the:</i></p> <p>(a) Operator;</p> <p>(b) Trustee (if applicable);</p> <p>(c) Fund Manager;</p> <p>(d) Custodian;</p> <p>(e) Fund Administrator;</p> <p>(f) Registrar/Transfer Agent;</p> <p>(g) Placement Agent;</p> <p>(h) Investment Advisor (if applicable);</p>	<p>A licensee: asked if sub-managers of a fund fall under the scope of relevant persons, and if there are criteria’s to be satisfied for a person to be appointed as a sub-manager.</p>	<p>Z</p>	<p>Sub-managers do not fall under the definition of relevant persons, simply because the contract is not signed with the fund itself, but with the main manager, as an outsourcing of functions. The main manager remains responsible and accountable for the proper discharge of duties. Refer to <i>CIU-2.3.2(n)</i> <i>Ensure that when outsourcing functions, such outsourcing is properly controlled and that ultimate responsibility for the proper discharge of those functions is retained by the relevant person concerned.</i></p>

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<p><i>(i) External Auditor; and (j) CBB Licensee acting as a Placement Agent offering overseas domiciled CIU holdings to investors resident in the Kingdom of Bahrain.</i></p>			
<p><i>CIU-2.1.3 Combination of relevant persons, Where relevant persons functions are combined and the CIU is structured as a Common CIU or Corporate, the following combination of relevant persons must be applied:</i></p>	<p>A raised comment: “must be applied” should be replaced by “must be observed”, as “must be applied” means that they have to have the combination of relevant persons. Example, it gives the impression that the operator and manager must mandatorily be the same person, while they <u>can</u> be the same.</p>	AA	Agree, text will be amended.
<p><i>CIU-2.1.3 Combination of relevant persons – Custodian/administrator cannot act as the placement agent of the same fund</i></p>	<p>A licensee: would like to get clarity if the Rules prevent other parts of a licensee to act as the placement agent for the funds where it acts as the custodian/administrator.</p>	AB	Yes, it does prevent the licensee from acting as a placement agent for such funds.
<p><i>CIU-2.1.3 Combination of relevant persons – Custody and administration can be combined</i></p>	<p>A licensee: what requirements are set out to ensure that separate sets of records and full independence of functions is maintained?</p>	AC	The licensee must observe this requirement.
<p><i>CIU-2.1.4 Where relevant persons functions are combined and the CIU is structured as a trust, the following combination of relevant persons must be applied</i></p>	<p>A raised comment: same comment as in rule CIU-2.1.3.</p>	AD	Refer to AA above.

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<p><i>CIU-2.1.5 In applying Rules CIU-2.1.3 and CIU-2.1.4 above, relevant persons who are related parties or from the same group will not be considered independent from each other, and as such will not be permitted to act in the capacity intended.</i></p>	<p>A fund operator: for confidentiality purposes, and to maintain secrecy of the client base, the role of registrar, placement agent, and fund manager should not be allowed for non-related parties. Further, several Bahrain licensed institutions are competitors, and are allowed to assume registrar role along with administration and custody.</p>	<p>AE</p>	<p>This requirement is in place to segregate decision making roles from record keeping roles within CIUs. In addition to banks, there are licensed institutions whose business is limited to custody, administration and registrar activities. If operators, placement agents and asset managers fear competition, then they may appoint one of those institutions instead of banks.</p> <p>Further, most of Bahrain domiciled funds are established and marketed by institutions operating in overseas jurisdictions. AML laws and regulations require participants’ KYC and subscription documents to be maintained in an office in Bahrain, as a result of which a registrar will be appointed anyway.</p>
<p><i>CIU-2.2.8 The CBB will consider the suitability of the relevant persons of a CIU as part of the registration/authorisation process.</i></p>	<p>A raised comment: for the purpose of clarity, the rule should refer to the “initial appointment” likewise Rule CIU-2.2.3 “The initial appointment of the operator/trustee of a Bahrain domiciled CIU will be approved by the CBB as part of the process of authorisation/registration outlined in Chapter CIU-1”.</p>	<p>AF</p>	<p>Agree, will be amended.</p>

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<p><i>CIU-2.2.12 Appointments subsequent to granting approval for registration of a Bahrain domiciled exempt CIU must be notified to the CBB 3 months prior to the effective termination date of the agreement with the existing relevant person.</i></p>	<p>A law firm: will this rule apply if additional placement agent is appointed?</p>	<p>AG</p>	<p>CBB requires a main placement agent to be named in the prospectus of the fund. Replacement of the main placement agent needs notification. Additional placement agents are appointed by the main placement agent not the fund, the appointment of which does not need to be notified to CBB.</p>
<p><i>CIU-2.3.2 (n) Ensure that when outsourcing functions, such outsourcing is properly controlled and that ultimate responsibility for the proper discharge of those functions is retained by the relevant person concerned.</i></p>	<p>A licensee: suggests adding guidelines to this rule stating that outsourcing must be done to qualified professionals with appropriate office set-up with tested BCP arrangements to safeguard the CIU.</p>	<p>AH</p>	<p>There are no specific requirements for outsourcing in this module. Licensees will have to abide with the outsourcing requirements set in their own volumes of CBB rulebook. For non-CBB licensees, CBB expects that their home regulator will have in place measures for outsourcing.</p>
<p><i>CIU-2.4.1 An operator of a CIU is the person undertaking the functions of establishing, operating, including full oversight of the corporate governance on the CIU, or winding up of a CIU.</i></p>	<p>A law firm: the operator will be responsible to establish and wind-up the fund, however, the BOD will be responsible for the corporate governance and the operations of the CIU. Please clarify.</p>	<p>AI</p>	<p>The operator is responsible to appoint BOD and dismiss them as its representatives in the fund, and will be responsible for their acts. BODs operate the fund and are responsible for the corporate governance “on behalf of” the operator, not in their individual capacity.</p>

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<p><i>CIU-2.4.7 Duties of Operator (b) Maintain all the documents pertaining to the CIU, consistent, current and updated, in line with applicable laws and regulations, and as approved by or notified to the CBB, as appropriate;</i></p>	<p>A licensee: does maintaining documents include Board resolutions and minutes of Board meetings?</p>	<p>AJ</p>	<p>As an operator, it has to “ensure” all CIU documents are current and updated, and would have copies of those documents. Since the role of an operator can be undertaken by “non-CBB” licensees, the CBB requires the administrator to keep the CIU records, including Board resolutions and minutes of Board meetings. Refer to CIU-3.8.1 “<i>The board must maintain adequate records of its meetings, such that key decisions and how they are arrived at can be traced. Such records must be maintained by the CIU fund administrator</i>”.</p>
<p><i>CIU-2.4.7 Duties of Operator (h) Ensure that all applicable anti-money laundering laws are complied with;</i></p>	<p>A licensee: seeking clarification between the responsibility of the placement agent and the operator in terms of obtaining, maintaining and ensuring completeness of the KYC information and performing AML verifications on prospective investors.</p>	<p>AK</p>	<p>This is the responsibility of the placement agent. The operator needs to ensure that the placement agent is complying with applicable AML laws when placing the units, not to perform the activity itself.</p>
<p><i>CIU-2.4.9 Operators of Bahrain domiciled retail CIUs and Bahrain domiciled expert CIUs who have introduced seed capital/investment into a CIU authorised under this Module must not seek redemption or buy back the seed capital/investment without the prior written approval of the CBB. CIU-2.4.10 Operators of</i></p>	<p>A licensee: there must be circumstances where no regulatory approval is needed when redeeming seed capital. Example: if operators invested seed capital for more than 2 to 3 years in an open ended fund and they hold less than 10% of the units.</p> <p>A law firm: is the prior notification required when the seed has been invested for one year or more, or whether the notification obligation</p>	<p>AL AM</p>	<p>Disagree, insider information will help them to exit and re-invest at the right time, leaving investors to bear the consequences, especially that the investor base of retail and expert CIUs are less sophisticated than accredited investors.</p> <p>For close-end funds, the operator cannot withdraw the amount invested until the fund gets liquidated. For open-ended funds, the</p>

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<p><i>Bahrain domiciled exempt CIUs who have introduced seed capital/investment into a CIU registered under this Module must not seek redemption or buy back the seed capital/investment without the prior written notification to the CBB. CIU-2.4.11 Operators of Bahrain domiciled exempt CIUs must keep the seed capital/investment invested in the CIU for at least a one year period, prior to seeking redemption of the same. In case of Bahrain domiciled exempt CIUs with no redemption windows, the invested seed capital/investment must be maintained for the duration of the CIU.</i></p>	<p>arises in respect of all seed capital redemptions regardless of when the redemptions are made?</p> <p>A law firm: We would welcome clarification of whether subscriptions made after the initial launch of CBB are subject to these requirements.</p> <p>A raised comment: investors should be notified in case of further subscriptions, full or partial redemptions, or buy back of seed investments.</p>	<p>AN</p> <p>AO</p>	<p>amount invested need to be maintained for at least one year. Thereafter, the invested amount can be withdrawn after notifying CBB of the fact. If the operator wishes to partially redeem its units, it would need to notify CBB of the fact each time a portion is redeemed. Text will be amended. Note: similar amendments need to be applied in Rules CIU-9.4.2 and CIU-9.4.3.</p> <p>This is not clarified in the current regulations. New rules will be added to state that operators of retail and expert CIUs need CBB approval for the same, while operators of exempt CIUs need to notify CBB of the same. Same procedures must be followed for redemption of subsequent subscriptions, as in rules CIU-2.4.9 to CIU-2.4.11. Note: the new rules will also be added in the reporting chapter, in section CIU-9.4.</p> <p>Agree, text will be amended.</p>
<p><i>CIU-2.4.13 Operators of Bahrain domiciled CIUs must notify the CBB immediately upon deciding to suspend dealings in a CIU.</i></p>	<p>A raised comment: resumption of dealings must also be notified to CBB.</p>	<p>AP</p>	<p>Agree, will be amendment.</p>

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<p><i>CIU-2.4.14 The operator of a Bahrain domiciled CIU is responsible for all reporting requirements to the CBB and to other parties, as required in this Module. Such reporting requirements include but are not limited to:</i></p> <p><i>(a) Submission of semi-annual and annual financial statements of the CIU(s) for each financial year, to the CBB and to the CIU participants within the time periods specified in the relevant Chapters of Module CIU;</i></p> <p><i>(b) In case of CIUs structured as corporates/contractual, filing of annual financial statements of the fund company(ies) for each financial year with the CBB and the Ministry of Industry & Commerce within the time periods specified in the Commercial Companies Law;</i></p> <p><i>(c) Reporting any breach to the requirements of this Module, the CIU documents, or any directions issued by the CBB;</i></p> <p><i>(d) Reporting any material amendments to the CIU</i></p>	<p>A raised comment: operator must ensure that the administrator submit and file reports mentioned in (a), (b), and (e), not that it has to do so itself.</p>	<p>AQ</p>	<p>Agree, paragraph will be amended. Points (a), (b), and (e) will be deleted from this section, as it is not considered reporting, and a point will be added to rule CIU- 2.4.7 as a duty.</p>
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<p><i>documents on a timely basis; and (e) Filing with the CBB Form CIU (QS), Quarterly Statistical Return, within the deadline specified in the return.</i></p>			
<p><i>CIU-2.5.8 Trustees of Bahrain domiciled CIUs must notify the CBB immediately upon deciding to suspend dealings in a CIU.</i></p>	<p>A raised comment: similar comment to Rule CIU-2.4.13.</p>	<p>AR</p>	<p>Refer to AP above.</p>
<p><i>CIU-2.5.9 The trustee of Bahrain domiciled CIU is responsible for all reporting requirements to the CBB and to other parties, as required in this Module. Such reporting requirements include but are not limited to: (a) Submission of semi-annual and annual financial statements of the CIU(s) for each financial year to the CBB and to the CIU participants within the time periods specified in the CIU Module; (b) In case of CIUs structured as corporates/contractual, filing of annual financial statements of the fund company(ies) for each financial year with the CBB and</i></p>	<p>A raised comment: similar comment to Rule CIU-2.4.14.</p>	<p>AS</p>	<p>Refer to AQ above, but rule reference should be CIU-2.5.5.</p>

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<p><i>the Ministry of Industry & Commerce within the time periods specified in the Commercial Companies Law;</i> <i>(c) Reporting any breach to the requirements of this Module, the CIU documents, or any directions issued by the CBB;</i> <i>(d) Reporting any material amendments to the CIU documents on a timely basis;</i> <i>and</i> <i>(e) Filing with the CBB Form CIU (QS), Quarterly Statistical Return, within the deadline specified in the return.</i></p>			
<p><i>CIU-2.6.2 Fund managers must be domiciled in any reputable jurisdiction acceptable to the CBB.</i></p>	<p>A law firm: which jurisdictions are reputable and acceptable to CBB? are they similar to those in “recognized jurisdictions” provided in section CIU-1.7?</p>	<p>AT</p>	<p>This is considered by CBB on a case by case basis, the table in CIU-1.7 does not apply here.</p>
<p><i>CIU-2.6.4 Fund managers must hold an appropriate license or equivalent from the CBB or from a regulatory authority acceptable to the CBB and permitting the entity to manage financial instruments and any other assets held by a CIU.</i></p>	<p>A law firm: similar comment as in Rule CIU-2.6.2.</p>	<p>AU</p>	<p>Refer to AT above.</p>

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<p><i>CIU-2.6.7 Duties of Fund Manager: (b) Continuously carry out and review the investment objectives of the CIU, and advise the directors of the CIU “s investment program, strategy and overall performance on a prompt and regular basis</i></p>	<p>A raised comment: typo, continuously to be replaced by continuously.</p>	<p>AV</p>	<p>Agree, text will be amended.</p>
<p><i>CIU-2.6.7 Duties of Fund Manager: (h) Give instructions to the custodian of the CIU concerning any acquisition, disposal of or other dealing in any investments or other assets of the CIU;</i></p>	<p>A licensee: Can the custodian receive the instructions from other relevant parties, like the administrator?</p>	<p>AW</p>	<p>The fund manager is the only party able to <u>decide</u> on investments, and <u>instruct</u> the custodian. If the fund manager wishes to have another party to check the instructions prior to sending them to the custodian, like having the administrator to check the limits prior to making the investments, then the administrator may <u>route</u> the instruction to the custodian, not to <u>instruct</u> the custodian itself.</p>
<p><i>CIU-2.7 and CIU-2.8</i></p>	<p>A licensee: it is not clear whether the payment of annual license fee to CBB before the deadline is the responsibility of the administrator, custodian, fund manager, or the operator.</p>	<p>AX</p>	<p>It is the responsibility of the Operator.</p>
<p><i>CIU-2.7.4 A custodian must hold an appropriate license from the CBB permitting it to provide custody services, in accordance with the CBB Rulebook.</i></p>	<p>A licensee: believes this is not a new requirement, kindly clarify.</p>	<p>AY</p>	<p>This is not a new requirement. All custodians must be licensed by CBB.</p>

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<p><i>CIU-2.7.6 Duties of the Custodian (a) To open, maintain, and control CIU subscription and trading cash accounts with licensed banks in all relevant markets;</i></p>	<p>A licensee: what does “control” mean? Does it mean the right of refusal on instructions received, unilateral right to make payment, or having authorized signatory status on the account?</p> <p>A licensee: Can the administrator have authorized signatory rights on the subscription account? If the fund manager is the sole signatory, there is a conflict of interest if it can instruct payment of management fees without oversight from a thirds party. If instructions are made via online banking, the administrator will not be in a position to validate prior to payment.</p> <p>A licensee: can the CBB confirm whether this includes opening an account on behalf of the fund with another institution (local or not) or does it imply a sub-custody relationship?</p>	<p>AZ</p> <p>BA</p> <p>BB</p>	<p>It includes being the authorized signatory of the account, and having the right of refusal, if the payment is not in line with the fund’s prospectus, investment strategy, the related agreements, or any regulatory or legal requirement. However, the custodian cannot have a unilateral right to make payment.</p> <p>The administrator AND the fund manager cannot act as an authorized signatory on subscription accounts. The signatory must be the custodian. In addition, the custodian will only pay fees upon the calculation of fees by the administrator, and those fees will be paid from the CIU’s permanent account not from the subscription account. Refer to CIU-2.8.6 (h) <i>Calculation of dividends, service providers “fees, performance fees (if any), and other distributions.</i></p> <p>This would depend on the laws and regulations of each country.</p>
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<p><i>CIU-2.7.11 Custodians must report to the CBB immediately when they become aware of any breach of the CIU’s prospectus.</i></p>	<p>A licensee: the custodian must monitor the CIU’s investment restriction policy based on the total assets held by them and must report breaches to the fund manager and administrator within 5 working days.</p>	<p>BC</p>	<p>The reporting deadlines between parties are operational issues that need to be agreed upon with those parties.</p>
<p><i>CIU-2.7.12 Custodians must provide the fund manager and fund administrator with a statement of assets pertaining to the CIU, on intervals, as agreed between the parties.</i></p>	<p>A licensee: this should be done at least once a month.</p>	<p>BD</p>	<p>Some CIUs need more frequent reporting than monthly, like active equity and money market CIUs, and some other CIUs need less frequent reporting than monthly, like private equity CIUs. It is not practical to specify a frequency per type.</p>
<p><i>CIU-2.8.4 In applying Rule CIU-2.8.3, the CBB will allow „hub and spoke “arrangements, provided that:</i> <i>(a) A suitably licensed office is maintained in the Kingdom of Bahrain, through which the CBB can access the CIU’s records;</i> <i>(b) The overseas operations are undertaken in reputable jurisdictions by regulated entities that belong to the same group as the Bahrain fund administrator;</i> <i>(c) The fund administrator retains ultimate responsibility for the CIU’s administration activities; and</i></p>	<p>A licensee: how does this reconcile to GR-9.3.7 of Volume 5 which states that administrators may not outsource their core business activities to their group?</p>	<p>BE</p>	<p>The CBB allows hub and spoke model to allow licensees to utilize the custody and administration systems available within the group, as such systems are usually expensive. This does not refer to performing the activities outside. Text will be amended to point (b) to remove the word “operations”, and state that the office itself has to be regulated in a reputable jurisdiction. same amendment will be done in Rule CIU-2.7.3.</p>

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<p><i>CIU-2.8.8 Fund Administrator Reporting Requirements (a) Reporting of the NAV to the operator, fund manager and CIU participants of the CIU;</i></p>	<p>A licensee: if the NAV is published on a website and is accessible by the general public, then this requirement should be deemed as complete.</p>	<p>BI</p>	<p>Agree, reporting NAV is costly, especially for CIUs with a large number of participants. This should be allowed subject to disclosure in the prospectus. The rule itself does not specify the “mean” of reporting. text will be amended to state that reporting to participants should be done in a manner as prescribed in the prospectus.</p>
<p><i>CIU-2.8.8 Fund Administrator Reporting Requirements (c) Reporting of the fund company’s annual financial statements (within 3 months of the financial year-end of the CIU) to the operator, fund manager and CBB.</i></p>	<p>A licensee: the administrator is appointed for the fund not the fund company, and maintaining the accounts of the fund company is not mentioned under CIU-2.8.6. This requires maintaining the accounts of the fund company as well. Is the administrator expected to maintain the accounts of the fund company as well?</p>	<p>BJ</p>	<p>The administrator is expected to maintain the accounts of the fund company. Rule CIU-2.8.6 will be amended by adding a point stating the following: Maintain the records of the fund company, and prepare its annual accounts.</p>
<p><i>CIU-2.8.8 Fund Administrator Reporting Requirements (e) Report to the CBB, fund manager and operator, if the NAV of retail CIU or expert CIUs:</i> <i>(i) Falls below 60% of the initial value per unit, at any valuation date.</i> <i>(ii) Falls below 60% of the initial total size of the CIU; or</i> <i>(iii) Falls below 50% of the total size of the CIU relative to the</i></p>	<p>A licensee: (ii) has little significance in case of open ended funds , and hence should be replaced by a quantitative number, like USD 5 million.</p> <p>A raised comment: the comparison in (i) is with NAV/unit, while it is with the total NAV in (ii), and (iii). Suggest re-writing of the rule for more clarity</p>	<p>BK BL</p>	<p>Agree, but instead of specifying a NAV amount, the point will be amended to state that the comparison must be made to the last audited NAV.</p> <p>Agree, text will be amended. Suggested write-up: <i>(e) for retail CIU or expert CIUs, report to the CBB, fund manager and operator, if:</i> <i>(i) The NAV per unit falls below 60% of the initial value per unit, at any valuation date.</i></p>

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<p><i>previous valuation day.</i></p>			<p><i>(ii) The total NAV falls below 60% of the initial total size of the CIU; or (iii) The total NAV falls below 50% of the total size of the CIU relative to the previous valuation day.</i></p>
<p><i>CIU-2.8.8 Fund Administrator Reporting Requirements (f) Report to the CBB any case in which the investment strategy limits are breached;</i></p>	<p>A licensee: if the investment strategy is breached, the operator should be given at least 15 business days to rectify, without informing the CBB. A licensee: similar comment to rule CIU-2.8.6</p>	<p>BM BN</p>	<p>Timely reporting to CBB is essential. Refer to BG above</p>
<p><i>CIU-2.9.5 Duties of registrar / transfer agent, (b) Preserve the confidentiality of the register at all times;</i></p>	<p>A licensee: need to add that no information should be made available to third party.</p>	<p>BO</p>	<p>Confidentiality of information is detailed in CBB law. Registrars, being CBB licensees, have to abide by the law.</p>
<p><i>CIU-2.9.5 Duties of registrar / transfer agent, (g) Obtain and safe-keep all signed application forms, along with “know your client” documents for each CIU participant, in original form or in the form of a certified copy, at the office in Bahrain, in line with applicable Laws and Regulations.</i></p>	<p>A licensee: has two comments: (1) This clause should ensure that KYC approach should be done to a standard similar to CBB AML requirements where “risk based approach” is used; and (2) performing investors’ KYC check should not be mandatorily done by the transfer agent. fund managers and placement agents should also be able to do so.</p>	<p>BP</p>	<p>Registrar’s duty is to obtain and safe keep only, not to perform the activity itself. This is the responsibility of the placement agent and is covered in the “Duties of the Placement Agent” Rule CIU-2.10.7: <i>(e) To ensure that investors submit duly completed subscription forms, together with all required documentation;</i> <i>(i) To comply at all times with all the Laws of</i></p>

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	<p>A licensee: is the role of the registrar limited to safe-keeping or is it required to check whether sufficient, accurate, and complete KYC procedures are followed by the placement agent, and follow-up with the placement agent to obtain further KYC material? Will the registrar be liable and responsible for the content, completeness, and accuracy of the KYC documents?</p>	BQ	<p><i>the Kingdom of Bahrain and the Regulations and directives issued by the CBB from time to time, including those set to prevent and prohibit money laundering and the financing of terrorism.</i></p> <p>The registrar is required to safe-keep only. The placement agent is responsible for the content, completeness, and accuracy of the KYC documents.</p>
<p><i>Rule CIU-2.10.7: Duties of Placement Agent (e) To ensure that investors submit duly completed subscription forms, together with all required documentation;</i></p>	<p>A fund operator: in addition to the acceptance of physical copy of Subscription and Redemption forms, acceptance of electronic subscription and redemption forms via operator or placement agents' website should also be allowed.</p>	BR	<p>The rule does not specify the form of submission (physical/ electronic). This would depend on whether it is allowed in the countries where the units of the CIUs are placed.</p>
<p><i>Rule CIU-2.10.7: Duties of Placement Agent (f) To obtain written confirmation from each CIU participant, stating that</i></p>	<p>A licensee: if this confirmation was not part of the subscription agreement, and is provided as a separate document, is the placement agent required to provide this confirmation to the</p>	BS	<p>Yes, along with the subscription agreement.</p>

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<p><i>they satisfy the definition of an expert investor or accredited investor (as appropriate) and confirming that they understand the higher risks involved in an expert CIU or exempt CIU.</i></p>	<p>registrar for safe-keeping.</p>		
<p><i>Rule CIU-2.10.7: Duties of Placement Agent (i) To comply at all times with all the Laws of the Kingdom of Bahrain and the Regulations and directives issued by the CBB from time to time, including those set to prevent and prohibit money laundering and the financing of terrorism.</i></p>	<p>A licensee: this process would include screening prospective investors against lists using systems like Worldcheck, where the results cannot be shared with other parties, including the registrar. Is the registrar expected to maintain such records for investors independently from the placement agent?</p>	<p>BT</p>	<p>The method of checking the KYC documents is the placement agent’s responsibility. It has to ensure that the KYC is performed in the right manner. The registrar is only required to “safe-keep” the documents.</p>
<p><i>Rule CIU-2.10.7: Duties of Placement Agent (k) To comply with all applicable anti money laundering and “know your client” Laws and Regulations in the jurisdictions where the units of the CIU are placed.</i></p>	<p>A raised comment: this point should come immediately after (i) To comply at all times with all the Laws of the Kingdom of Bahrain and the Regulations and directives issued by the CBB from time to time, including those set to prevent and prohibit money laundering and the financing of terrorism.</p>	<p>BU</p>	<p>Agree, will be amended.</p>

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<p><i>CIU-2.11.2 Investment advisors must be based in any reputable jurisdiction acceptable to the CBB.</i></p> <p><i>CIU-2.11.3 For investments advisors providing services to CIUs investing in financial instruments, the investment advisor must hold an appropriate license from the CBB, or equivalent from a regulatory authority recognised by CBB, permitting the entity to engage in investment advisory activities.</i></p>	<p>A law firm: Investment advisors may only make recommendations; it is not clear to us why the investment advisor must be based in a reputable jurisdiction, would offshore jurisdictions like BVI and Cayman Islands be considered reputable jurisdictions?</p>	<p>BV</p>	<p>This is in place in order to ensure that they are subjected to laws and regulations that would protect the participants of the CIU.</p>
<p><i>CIU-2.12.5, Duties of the External Auditor (d) To review the calculation of the NAV on a semi-annual basis or in line with the frequency stipulated in the prospectus.</i></p>	<p>A raised comment: for CIUs investing in illiquid asset classes, the calculation of NAV is usually performed once a year.</p>	<p>BW</p>	<p>Agree, text will be amended to state that the auditor must review the NAV in line with the frequency states in the prospectus, but not less frequent than yearly.</p>
<p><i>CIU-2.13 Placement Agent (Offering Overseas Domiciled CIU Holdings to Investors Resident in the Kingdom of Bahrain)</i></p>	<p>A licensee: seek clarification as to whether the regulations cover / do not cover business conducted with residents of other countries by Bahrain licensees.</p>	<p>BX</p>	<p>Business conducted with residents of other countries must be done in accordance with the laws and regulations of those counties.</p>
<p><i>CIU-3 the whole chapter</i></p>	<p>A licensee: recommends that simplified corporate governance requirements are</p>	<p>BY</p>	<p>The corporate governance requirements within the rulebooks are for the licensees themselves,</p>

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	prescribed for CBB licensees, as they already are subject to detailed corporate governance requirements within the relevant rulebook.		not for CIUs. The requirements differ.
<i>CIU-3.3.1 The operator/trustee of the CIU must obtain CBB “s prior approval before a person is formally appointed to the Board. The request for CBB approval must be made by submitting to the CBB a “CIU Board Member Form” with a covering letter, and enclosing the following documentation: (a) A board resolution from the operator/trustee ratifying the appointment. (b) A current CV of the proposed board member. (c) A valid passport copy of the proposed board member.</i>	A raised comment: to be in line with the application form, suggest amending point (c) to state that the passport copy needs to be certified.	BZ	Agree, text will be amended to read as follows: <i>(c) A <u>certified and valid</u> passport copy of the proposed board member.</i>
<i>CIU-3.5.3 The members of the board of a CIU: (a) Must hold senior positions at the operator/trustee; (b) Must be senior in position to individual members managing the CIU; and (c) Must not be involved in the investment management function of the CIU.</i>	A licensee: since operator can also be the manager, how can decisions be made without a conflict of interest? Questions regarding management and performance fees and valuations will be in direct conflict with directors. It seems that regulations “forces” conflicted individuals to act in a role that requires independence.	CA	CBB requires that board members be independent from those individuals involved in the day to day management of the fund. Fees and valuations are not “calculated” by the Board or the manager; it is done by the administrator and third party valuers.

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	<p>A licensee: how can this be possible if the operator is the investment manager? Even if the board members are not involved in the day to day investment decisions, the Board decisions may have significant impacts on the reputation of the investment manager.</p> <p>A licensee: Points b and c can be contradictory and ambiguous in certain cases where senior members of an asset management company are involved in managing the CIU. It is not clear whether a senior member involved in the asset management function of one CIU can be a board member in another CIU operated by the same institution.</p>	<p>CB</p> <p>CC</p>	<p>This is possible because the CBB requires that the members of the board to be different than those individuals managing the assets of the CIU, and be senior to them, in order to be able to monitor their performance and question their acts.</p> <p>Senior members in an institution do not usually get involved in the day to day operations. Point b refers to decision makers while point c refers to those responsible of the day to day operations. As for CIUs operated by the same institution, the Board members must hold senior positions within the institution. If the person is senior, he/she will not be involved in the day to day operational activities, and hence, it is very rare that the institution will experience such situations where the same person is the fund manager of a CIU and a board member in another CIU.</p>
<p><i>CIU-3.6.1 The board of a Bahrain domiciled CIU must meet at regular intervals, but not less than four times a year, taking into account the CIU’s size and complexity, to review the performance and operations of the CIU and to discharge its responsibilities effectively.</i></p>	<p>A licensee: recommends that CBB limits the minimum number of meetings into 1 meeting a year as before.</p>	<p>CD</p>	<p>CBB did not have requirements for corporate governance for funds before, and hence, the 1 meeting requirements did not exist. Secondly, this is a requirement in The Commercial Companies Law as well (article 180).</p>

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<p><i>CIU-3.6.2 Board members must attend as a minimum three quarters of all board meetings called for a CIU and attendance by proxy will not be permitted.</i></p>	<p>A licensee: is video or telephone conferencing considered attendance?</p>	<p>CE</p>	<p>Yes, this is acceptable. Will add a write-up similar to Rule HC-1.3.7 of CBB rulebook volume 1 “<i>Participation in board meetings by means of video or telephone conferencing is regarded as attendance and may be recorded as such</i>”.</p>
<p><i>CIU-3.8.1 The board must maintain adequate records of its meetings, such that key decisions and how they are arrived at can be traced. Such records must be maintained by the CIU fund administrator.</i></p>	<p>A licensee: since most board members are based outside Bahrain, minutes need to be submitted to the administrator within 10 business days from holding the meeting.</p>	<p>CF</p>	<p>This is an operational issue, parties should agree among themselves.</p>
<p><i>CIU-3.10.8 In fulfilling this responsibility, the CBB expects that the board requests from the fund manager, reports on the CIU “s compliance with its investment policies and restrictions as stated in the prospectus, the frequency and format of such reports should be pre-agreed with the fund manager and reviewed at each board meeting.</i></p>	<p>A raised comment: typo, fulfilling to be replaced with fulfilling.</p>	<p>CG</p>	<p>Agree, text will be amended.</p>
<p><i>CIU-3.10.13 The board is responsible for the oversight of the entire NAV calculation process, including but not</i></p>	<p>A licensee: as a result of CIU-3.5.3, this point creates a defacto conflict of interest.</p>	<p>CH</p>	<p>Rule CIU-3.5.3 speaks about board members being senior in the organization and senior to the investment manager. This rule speaks about “oversight” on the calculation of NAV,</p>

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<p><i>limited to the pricing of illiquid and exotic instruments.</i></p>			<p>not the “actual” calculation of NAV. Being Board members who <i>Must not be involved in the investment management function of the CIU</i> as per rule CIU-3.5.3, and in order to discharge their responsibility, they must have an oversight on NAV calculation. No need to amend.</p>
<p><i>CIU-3.10.21 The board must request and review the plans set by the fund manager with respect to promoting the CIU, the target client base, the existing client base and its break-down by type of investor, the legal capacity of the CIU, the restrictions (if any) on marketing the CIU in certain jurisdictions.</i></p>	<p>A licensee: this point should refer to the operator not the fund manager.</p> <p>A raised comment: spelling mistake, existing should be replaced with existing.</p>	<p>CI</p> <p>CJ</p>	<p>The manager is the entity responsible for the investments of the amounts received from investors. It would usually be involved in the process of promoting the CIU because it would have certain capacity to manage the amounts raised. If the CIU continues to raise money, the size of the CIU can reach to a limit that the manager cannot cope with the investment activities.</p> <p>Agree, text will be amended .</p>
<p><i>CIU-3.10.23 The board must ensure that the prospectus or trust deed of a CIU, as appropriate, does not allow any discretionary waivers with respect to a CIU, and that all CIU participants are treated equally and fairly.</i></p>	<p>A licensee: Could CBB clarify if this point applies to side letters?</p>	<p>CK</p>	<p>Yes, it does.</p>

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<p><i>CIU-3.10.27 (b) The AML policy must ensure that the prospectus requires that redemptions are paid into the account from which the original investment was wired. In the event that the redeeming investor requests that redemption proceeds be paid into an account different from that which the investment was paid, the redeeming investor would normally be asked to confirm in writing reason(s) for the request</i></p>	<p>A licensee: suggests that CBB adds to this rule the requirement to have the subscription money sent to the CIU account from an account registered in the name of the prospective subscriber.</p>	CL	<p>This should be part of the KYC check, because the placement agent needs to satisfy itself with regards to the source of funds.</p>
	<p>A licensee: it can only be controlled if the party receiving the redemption instructions is also the same entity who verified the source of funds. if the placement agent is responsible for the AML/KYC process, how can the party instructing the redemption proceeds with verifying that the money is going back to the same account, especially that the KYC including the source of funds check is handed to the registrar?</p>	CM	<p>Bullet (c) of Rule CIU-2.9.5 states that the registrar needs to “<i>Facilitate the issuance, transfer, execute the allotment, redemption, conversion and/or redemption of holdings in a CIU</i>”. “Facilitating” redemptions would include checking the records of the investor before redemption instructions are executed. Checking the records include checking the bank account details. This is an operational issue that need not to be mentioned in the regulations.</p>
	<p>A licensee: this section states that CIU holdings are redeemable at the request of the participants. Will there be an exception included to cater for close-ended funds?</p>	CN	<p>For close-end CIUs, the only redemption will happen at the end of the life of the CIU. The prospectus will specify if redemptions during the life of the CIU are allowed or not.</p>

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<p><i>CIU-4.2.2 In the case of CIUs established as Common CIUs established under the laws of contract, or Corporates established under the Bahrain Commercial Companies Law, the legal documents are the Memorandum and Articles of Association of the fund company and the CIU instrument. In the case of CIUs established as Trusts under the Financial Trust Law, the legal document is the trust deed.</i></p>	<p>A raised comment: if a fund is structured as a corporate, there will be no instrument.</p>	<p>CO</p>	<p>Agree, text will be amended.</p>
<p><i>CIU-4.3.6 For the purposes of the Paragraph CIU-4.3.5, material changes include: (a) Changes in the relevant persons; (b) A change in legal structure; (c) A change to the investment strategy; or (d) A change in fees.</i></p>	<p>A raised comment: suggest to add “but not limited to” after “material changes include”. Also, suggest to add “and objectives” to point (c).</p>	<p>CP</p>	<p>Agree, text will be amended.</p>

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<p><i>CIU-4.5.7 If the name or particulars of a Bahrain domiciled retail CIU indicates a specific objective, asset class, geographic region or market, the CIU must invest at least 60% of its assets in investments that reflect the specific objective, asset class, region or market. The remaining balance of the CIU’s assets may only be held in cash or cash equivalents.</i></p>	<p>A licensee: the limitation to invest 40% of the CIU assets in cash or cash equivalents should be removed. Managers must be free to choose the types of assets in which the CIU invests.</p>	<p>CQ</p>	<p>The 60% is the minimum limit to be invested. The idea is that the manager should at all times invest <u>at least</u> 60% of the assets in the investment strategy stated in the prospectus. The fund can invest up to 100% of the assets in the stated strategy. Any amounts that are uninvited may only be held in cash, so that the CIU does not deviate from the main investment strategy.</p> <p>The CBB will only allow deviation from the above limit in case of abnormal market conditions. A guidance will be added to reflect the same.</p>
<p><i>CIU-4.5.11 Bahrain domiciled retail CIUs must not invest in any security (of any class) in a company or other undertaking, if any director of the CIU or of any relevant person and its affiliates: (a) Individually owns more than ½ % of the total nominal amount of all the issued securities of that class; or (b) Collectively own more than 5% of those securities.</i></p>	<p>A licensee: this clause is difficult to implement, as complete disclosure of assets will be required by directors, relevant persons and their affiliates. If this needs to be implemented, then the % needs to be adjusted to be 15% for individual holding, and 20% for collective holding.</p> <p>A fund operator: this rule is difficult to implement for the following reasons:</p> <ul style="list-style-type: none"> • Only holdings of 5% and above is disclosed on GCC stock exchanges • Many related parties have holdings in many listed companies. <p>As such the minimum criteria should be eliminated for directors and relevant persons. Alternatively, the CBB may increase the</p>	<p>CR</p>	<p>Agree that this rule should apply to decision makers only, that is the BOD, operator and investment manager. In addition, the % should be adjusted to 5% individually and/or collectively. Text will be amended accordingly.</p>

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	threshold to at least 5% for directors, and eliminate the same for other relevant persons.		
<i>CIU-4.5.13 Bahrain domiciled retail CIUs must not invest in other CIUs which have the same operator.</i>	A raised comment: the write-up does not serve the purpose of the rule. It can be viewed as speaking about third party CIUs, where a fund invest in one CIU of a third party operator, it cannot invest in another CIU of the same operator.	CS	Agree, will be amended.
<i>CIU-4.6.2 Any breach of investment limits and risk management policies, that has occurred because of a reason other than a market change or movement, must be reported to the CBB by the board of the CIU, the custodian and the fund administrator, in a timely manner and accompanied by a plan and time-frame whereby the breach would be rectified.</i>	A licensee: Investment Restriction monitoring is a joint responsibility of the Administrator and the Fund Manager. However, the wording is slightly vague in terms of who has primary responsibility and who has secondary responsibility and what are limits of the administrator's liabilities for actions / omissions of a Fund Manager.	CT	<p>The main responsibility sits with the BOD. Refer to rules CIU-3.10.7 to CIU-3.10.9 below:</p> <p><i>CIU-3.10.7 The board must periodically monitor the CIU ‘s compliance with its investment policies and restrictions, stated in the prospectus.</i></p> <p><i>CIU-3.10.8 In fulfilling this responsibility, the CBB expects that the board requests from the fund manager, reports on the CIU ‘s compliance with its investment policies and restrictions as stated in the prospectus, the frequency and format of such reports should be pre-agreed with the fund manager and reviewed at each board meeting.</i></p> <p><i>CIU-3.10.9 The board must ensure that the fund manager has systems and procedures in place to detect and remedy investment policy</i></p>

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		<p><i>breaches. Such systems and procedures must include provisions for timely reporting of breaches to the board and the CBB, and prompt rectification.</i></p> <p>As for the fund manager, it is required to report to the BOD not to CBB. refer to CIU-2.6.7 (b) below:</p> <p><i>(b) Continuously carry out and review the investment objectives of the CIU, and advise the directors of the CIU “s investment program, strategy and overall performance on a prompt and regular basis;</i></p> <p>In addition, each party should be held responsible for their own acts, but all relevant parties are co-responsible to monitor and report breaches, acting in the best interest of the fund’s investors.</p> <p>Rule will be amended to state that reporting must be in writing.</p>
<p><i>CIU-4.7.1 (d) The borrowing does not at any time exceed 20% of the CIU “s assets;</i></p>	<p>A licensee: the % is restrictive. In most investments, 70/30 borrowing to equity is acceptable. The CBB is viewed as a risk manager not a regulator.</p>	<p>CU</p> <p>The CBB’s aim is to ensure that excessive leverage does not take place, particularly when the bank invests on behalf of clients rather than its own assets. Excessive leverage was noted as a key component of the causes of global financial crisis.</p> <p>In addition, this limit applies to retail funds,</p>

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			where investments are limited to liquid asset classes. As a market practice, 70/30 borrowing to equity applies for illiquid asset classes.
<i>CIU-4.7.2 A Bahrain domiciled retail CIU must not lend its assets to a relevant person of the CIU.</i>	A licensee: no lending to relevant persons will limit Islamic bank’s ability to raise short term to medium term funding. The CBB is viewed as a risk manager not a regulator.	CV	This is a CIU, the objective of which is to invest clients’ money. Lending is a banking activity, not an investment activity.
<i>CIU-4.7.5 (b) The arrangement is consistent with good market practice.</i>	A raised comment: “good” to be replaced with “best”.	CW	Agree, text will be amended accordingly.
<i>CIU-4.8.5 All requests for distribution of dividends on holdings, must be approved in writing by the CBB prior to announcing the proposed dividend by way of a press announcement or any other means of communication and prior to submitting a proposal for distribution to CIU participants of a Bahrain domiciled retail CIU.</i>	A licensee: if dividend payout framework is outlined in the prospectus, then there should be no need to seek CBB’s approval for the same.	CX	This is part of the CBB’s supervision process.

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<p><i>CIU-4.9.4 The fund administrator must notify the CBB, in writing, if the NAV of the CIU falls below:</i> <i>(a) 60% of the initial value per holding at any valuation date;</i> <i>(b) 60% of the initial total size of the CIU; or</i> <i>(c) 50% of the total size of the CIU relative to the previous valuation day.</i></p>	<p>A licensee and a raised comment: similar comments to rule CIU-2.8.8.</p>	<p>CY</p>	<p>Refer to BK and BL above.</p>
<p><i>CIU-5.1.3 To help demonstrate compliance with Rule CIU-2.1.3, the CBB would expect to see a written confirmation from each CIU participant, stating that they satisfy the definition of an expert investor or accredited investor (as appropriate) and confirming that they understand the higher risks involved in an expert CIU or exempt CIU.</i></p>	<p>A raised comment: reference is wrong; the correct reference is CIU-5.1.2. In addition, this section pertains to expert CIUs. References to exempt CIUs and accredited investors must be removed.</p>	<p>CZ</p>	<p>Agree, text will be amended accordingly.</p>

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<p><i>CIU-5.2.2 In the case of CIUs established as Common CIUs, established under the laws of contract, or Corporates established under the Bahrain Commercial Companies Law, the legal documents are the Memorandum and Articles of Association of the fund company and the CIU instrument. In the case of CIUs established as Trusts under the Financial Trust Law, the legal document is the trust deed.</i></p>	<p>A raised comment: similar comment to rule CIU-4.2.2.</p>	<p>DA</p>	<p>Refer to CO above.</p>
<p><i>CIU-5.3.6 For the purposes of the Paragraph CIU-5.3.5, material changes include: (a) Changes in the relevant persons; (b) A change in legal structure; (c) A change to the investment strategy; or (d) A change in fees.</i></p>	<p>A raised comment: similar comment as in Rule CIU-4.3.6.</p>	<p>DB</p>	<p>Refer to CP above.</p>

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<p><i>CIU-5.5.6 If the name or particulars of a Bahrain domiciled expert CIU indicates a specific objective, asset class, geographic region or market, the CIU must invest at least 60% of its assets in investments that reflect the specific objective, asset class, region or market. The remaining balance of the CIU’s assets may only be held in cash or cash equivalents.</i></p>	<p>A licensee: similar comment as in Rule CIU-4.5.7.</p> <p>A raised comment: there are two rules with reference CIU-5.5.6.</p>	<p>DC</p> <p>DD</p>	<p>Refer to CQ above.</p> <p>Agree, will be amended.</p>
<p><i>CIU-5.5.10 Bahrain domiciled expert CIUs must not invest in any security (of any class) in a company or other undertaking, if any director of the CIU or of any relevant person and its affiliates:</i> <i>(a) Individually owns more than ½ % of the total nominal amount of all the issued securities of that class; or</i> <i>(b) Collectively own more than 5% of those securities.</i></p>	<p>A licensee and a fund operator: similar comments as in Rule CIU-4.5.11.</p>	<p>DE</p>	<p>Refer to CR above.</p>

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<p><i>CIU-5.5.12 Bahrain domiciled expert CIUs must not invest in other CIUs which have the same operator.</i></p>	<p>A licensee: are there exemptions for master-feeder funds?</p> <p>A raised comment: similar comment as in Rule CIU-4.5.13 above.</p>	<p>DF</p> <p>DG</p>	<p>Expert funds cannot be structured as master-feeder funds.</p> <p>Refer to CS above.</p>
<p><i>CIU-5.6.2 Any breach of investment limits and risk management policies, that has occurred because of a reason other than a market change or movement, must be reported to the CBB by the board of the CIU, the custodian and the fund administrator, in a timely manner and accompanied by a plan and time-frame whereby the breach would be rectified.</i></p>	<p>A licensee: similar comment to Rule CIU-4.6.2.</p>	<p>DH</p>	<p>Refer to CT above.</p>
<p><i>CIU-5.7.6 (b) The arrangement is consistent with good market practice;</i></p>	<p>A raised comment: similar comment as in Rule CIU-4.7.5 (b).</p>	<p>DI</p>	<p>Refer to CW above.</p>
<p><i>CIU-5.9.4 The fund administrator must notify the CBB, in writing, if the NAV of the CIU falls below:</i> <i>(a) 60% of the initial value per holding at any valuation date;</i> <i>(b) 60% of the initial total size of the CIU; or</i> <i>(c) 50% of the total size of the</i></p>	<p>A raised comment and A licensee: similar comments as in Rule CIU-2.8.8.</p>	<p>DJ</p>	<p>Refer to BK and BL above.</p>

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<p><i>participant’s initial investment matches or exceeds the financial asset threshold, this may by itself be taken as evidence that the CIU participant meets the minimum financial asset threshold.</i></p>			
<p><i>CIU-6.3.7 For the purposes of Paragraph CIU-6.3.6: (a) Material changes include: (i) Changes in the relevant persons; (ii) A change in legal structure; (iii) A change to the investment strategy; or (iv) A change in fees; and (b) The majority of the CIU participants is expected to be not less than two-thirds of the CIU participants in terms of number of participants and number of units held.</i></p>	<p>A law firm: obtaining approval from the CIU majority participants for a change of placement agent or investment advisor is unduly onerous for the CIU.</p> <p>A raised comment: add “but not limited to” after “include. Add “and objectives” in point (iii).</p>	<p>DN</p> <p>DO</p>	<p>Agree to exclude the placement agent, but not the investment advisor. Text will be amended accordingly.</p> <p>Agree, text will be amended.</p>

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<p><i>CIU-6.5.3 Bahrain domiciled exempt CIUs may only enter into related party transactions provided they are clearly disclosed and permissible in accordance with the initial prospectus.</i></p>	<p>A law firm: Can a related party transaction be undertaken during the term of the CIU if the prospectus does not specifically referred to it on the basis that it was not contemplated at the time of launching the CIU. This should be acceptable if the initial prospectus provides clarification of valuation mechanisms and approvals that will be adopted, like third party valuation) prior to any related party transaction.</p>	<p>DP</p>	<p>Related party transactions not specified in the prospectus is considered amendment to the terms of the prospectus, and will need the approval from majority participants in accordance with rule CIU-6.3.6.</p>
<p><i>CIU-7.1.1 Bahrain domiciled real estate investment trusts (B-REITs) are defined as collective investment undertakings the objectives of which are acquiring, holding, administering, managing and selling income generating local and foreign real estate properties, either directly or indirectly.</i></p>	<p>A law firm: are Bahrain domiciled exempt funds structured as a BSC(c) company would be classified as B-REIT? Need clarification as to whether all Bahrain domiciled real estate funds will fall under the definition of B-REIT. In addition, would all exempt and expert funds investing in REITs will be treated as B-REITs, on the basis that they “indirectly” hold the assets?</p>	<p>DQ</p>	<p>Not all Bahrain domiciled real estate funds are required to be established as a B-REIT. The operator of the fund has the discretion to decide on whether the fund be structured as a B-REIT or a normal fund. . As for funds investing in other REITs, the CBB will not consider them as REITs, they will be classified as a fund of funds.</p>

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<p><i>CIU-7.1.7 The trustee/fund manager must appoint a qualified property manager(s) responsible for the management of the properties under the B-REIT and for raising regular reports to the trustee/fund manager on the performance of such property.</i></p>	<p>A law firm: is the property manager deemed to be a relevant person?</p>	<p>DR</p>	<p>They are not considered relevant persons, the trustee (and fund manager if was involved) appointing the property manager need to perform due diligence before the appointment, and to monitor its performance during the term of the appointment.</p>
<p><i>CIU-7.2.2 B-REITs established as Bahrain domiciled exempt CIUs are restricted to investing in real estate assets only and are subject to the same restrictions listed under Rule CIU-7.2.1 above in terms of types of assets but no percentage threshold shall apply.</i></p>	<p>A raised comment: expert funds can invest a maximum of 20% in other REITs, but exempt funds don't have this restriction. Suggest amending CIU-7.2.2 to state that they must hold at least one real estate property, for the sake of clarity. Otherwise, they will be able to invest all their assets in other REITs for example.</p>	<p>DS</p>	<p>Agree, the rule will be amended.</p>
<p><i>CIU-7.2.7 The minimum value of a B-REIT must be US\$ 20 million or its equivalent in another currency.</i></p>	<p>A raised comment: are CIUs required to maintain this amount for the life of the CIU or is it required at the initial closing only?</p>	<p>DT</p>	<p>At the initial closing. Text will be amended.</p>

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<p><i>CIU-7.3.1 If a B-REIT jointly controls and owns the property, the following information must be disclosed in the audited financial report:</i> <i>(d) Accounting period (if different from the organization)</i></p>	<p>A raised comment: organization need to be replaced with the CIU</p>	<p>DU</p>	<p>Agree, text will be amended.</p>
<p><i>CIU-7.3.5 B-REITs must disclose the following information on investment assets to the CIU participants:</i> <i>(a) Address of the asset;</i> <i>(b) Acquisition date;</i> <i>(c) Type of property including the respective proportion allocated to office/retail/residential/parking;</i> <i>(d) Land area;</i> <i>(e) Gross/lettable building space;</i> <i>(f) Current valuation;</i> <i>(g) Valuation cap rate;</i> <i>(h) Average passing rent per square meter;</i> <i>(i) Current level of leasing incentives for each asset;</i> <i>(j) Annualized net rent based on current rent roll;</i> <i>(k) Vacant space of a building and any large impending lease</i></p>	<p>A raised comment: will this be part of the annual report?</p>	<p>DV</p>	<p>Yes, text will be amended.</p>

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<p><i>expiries;</i> <i>(l) Operating profit (after property expenses);</i> <i>(m) Internal rate of return since acquisition;</i> <i>(n) Percentage of ownership (and commentary on control provisions);</i> <i>(o) Form of ownership (e.g. freehold or leasehold ownership);</i> <i>(p) Duration remaining on leasehold;</i> <i>(q) Year of construction completion/major refurbishment;</i> <i>and</i> <i>(r) Impending capital expenditure costs</i></p>			
<p><i>CIU-8.1.8 Shari’a compliant CIUs must comply with all applicable standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).</i></p>	<p>A law firm: as per CIU-8.1.1, this chapter applies to all Bahrain domiciled CIUs. The requirement of compliance with AAOIFI standards, in our view, should be optional for exempt CIUs, not mandatory, subject to full disclosure in the prospectus.</p>	<p>DW</p>	<p>This requirement applies to all Sharia compliant products and financial institutions regulated by the CBB. In addition, all existing exempt funds are in compliance with the requirement.</p>

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<p><i>CIU-8.1.10 The financial accounts of a Shari'a compliant CIU must be prepared in accordance with AAOIFI standards.</i></p>	<p>A raised comment: suggest adding that for instances not covered by AAOIFI standards, IFRS must be followed. Explanation to be added in the audited financial statements.</p>	<p>DX</p>	<p>Agree, text will be amended.</p>
<p><i>CIU-8.1.12 The operator of Shari'a compliant CIUs must appoint a Shari'a Supervisory Board/Shari'a Advisor(s). The Sharia Board must comprise of a minimum of 3 Shari'a scholars as members, approved by the board of the CIU and acceptable to the CBB, prior to their appointment and on an on-going basis subsequently. Alternatively, the operator may appoint a Sharia Advisor(s). In both cases, the arrangement must be in line with the prospectus of the CIU.</i></p>	<p>A law firm: exempt CIUs should be given the flexibility to appoint such number of Sharia scholars, subject to disclosure in the prospectus. Need clarification regarding the minimum number of Sharia advisors as opposed to the minimum scholars in a sharia board.</p> <p>A law firm: it is the practice that sharia board/scholars are appointed by the fund company, not the operator. Please clarify.</p>	<p>DY</p> <p>DZ</p>	<p>This flexibility is given in the rule itself. The CIU can either appoint a sharia board, comprising of at least 3 members, or appoint sharia advisor(s), the number of which is left for the CIU operator to decide on. The CIU can appoint <u>one</u> sharia advisor or more, depending on the operations of the CIU.</p> <p>The operator will assess the suitability of the sharia board/scholars as part of its responsibility to operate the fund during its life, but actual contract will be signed between the scholars and the fund company.</p>
<p><i>CIU-9.1.1 All Bahrain domiciled CIUs and overseas domiciled CIUs must prepare and submit to the CBB a Quarterly Statistical Return (Form CIU-QS). (Refer to CIU-2.4.14(e), CIU-2.5.9(e), CIU-2.8.6(j)).</i></p>	<p>A raised comment: reference should also be made to Rule CIU-2.13.11.</p>	<p>EA</p>	<p>Agree, text will be amended.</p>

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<p><i>CIU-9.1.10 The annual audited financial statements must be disclosed and distributed to CIU participants and submitted to the CBB, within 4 months of the end of the CIU 's financial year. The semi-annual financial statements must be disclosed and distributed to CIU participants and submitted to the CBB, within 2 months of the period end. Both the annual and semi-annual reports must contain as a minimum the information specified in Appendix E. (Refer to Sections CIU-4.11, CIU-5.11 and CIU-6.11).</i></p>	<p>A fund operator: in case of Fund of Funds, it is very difficult to submit the financials within 2 months for half yearly reviews. The submission period should be 4 months OR Fund of Funds should be exempted from submitting the half yearly reviews. Also, distribution of Financial Statements (half yearly and annual) to CIU Participants should be relaxed like if the operator publish these financials on its website, it should be treated as distribution to CIU Participants.</p> <p>A licensee: presumes that this requirement is only for Bahrain domiciled CIUs, and not for overseas domiciled CIUs. an “appropriate clarification” in this regard is appreciated</p> <p>A licensee: this provides additional layer of reporting. Islamic banks are already required to complete audits of associates and subsidiaries prior to consolidation. This requirement will increase administrative costs and will make products less competitive.</p>	<p>EB</p> <p>EC</p> <p>ED</p>	<p>The semiannual financial statements are reviewed only, and should not require more than 2 months. Also, CBB encourages publication on a website, but it should not be the main source for investors. refer to the rules below:</p> <p><i>CIU-4.11.4 and CIU-5.11.4 Publication of semi-annual and annual audited financial statements on the CIU ' s or operator ' s website is encouraged.</i></p> <p>This requirement is for Bahrain domiciled funds only. References in the rule are for the retail, expert, and exempt Bahrain domiciled CIUs chapters.</p> <p>This is an existing requirement, the aim of which is to ensure clients receive information regarding their investment regularly. The CIU is considered separate from the institution operating it. The fact that the bank must audit its associates and subsidiaries is not to be linked to the audit of the fund, being two separate legal entities.</p>
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<p><i>CIU-9.3.14 Subsequent to the initial appointment, Shari'a compliant retail CIUs and Shari'a compliant expert CIUs must report without delay to the CBB and to the CIU participants, changes to their Shari'a Board Members/Advisor(s), together with an explanation for the change. All such changes must be subject to the CBB's prior written approval and reflected in an update to the CIU's prospectus (and simplified prospectus where applicable). (Refer to CIU-8.1.14).</i></p>	<p>A raised comment: wrong reference, the correct reference is Rule CIU-8.1.15.</p>	<p>EE</p>	<p>Agree, text will be amended.</p>
<p><i>CIU-9.3.15 Subsequent to the initial appointment, Shari'a compliant exempt CIUs must report without delay to the CBB and to the CIU participants, changes to their Shari'a Board Members/Advisor(s), together with an explanation for the change. All such changes must be notified to the CBB and reflected in an update to the CIU's prospectus (and simplified prospectus where applicable).</i></p>	<p>A raised comment: wrong reference, the correct reference is Rule CIU-8.1.16.</p>	<p>EF</p>	<p>Agree, will be amended.</p>

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<i>(Refer to CIU-8.1.15).</i>			
<i>CIU-9.3.16 to CIU-9.3.18</i>	A raised comment: those rules are not consistent with those in chapter CIU-11.	EG	Agree, text will be amended.
<i>CIU-9.3.19 CBB approval in response to a request to liquidate a Bahrain domiciled CIU will normally be given in the following circumstances: (a) The CIU was not able to operate within 6 months from the CBB “s authorisation date (refer to the Authorisation/Registration Requirement Chapter of this Module); (b) The purpose of the CIU cannot be accomplished; (c) The constitutional documents of the CIU stipulate a specific maturity date; (d) The NAV of the CIU has fallen below a certain size, where the board believes it is not feasible to continue operating the CIU; or (e) A resolution of a duly convened meeting of the CIU participants has been passed to liquidate the CIU.</i>	A raised comment: original rule reference should be added. The reference is CIU-11.1.3.	EH	Agree, text will be amended.

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<p><i>CIU-9.3.21 The appointment of the liquidator and the auditors must be subject to CBB approval. (Refer to CIU-11.1.8).</i></p>	<p>A raised comment: to be identical to the original rule, auditors need to be replaced by external auditors. Being a defined term, it need to be underlined.</p>	<p>EI</p>	<p>Agree, text will be amended.</p>
<p><i>CIU-9.4.5 Operators of Bahrain domiciled CIUs must notify the CBB immediately upon deciding to suspend dealings in a CIU. (Refer to Paragraph CIU-2.4.13).</i></p>	<p>A raised comment: similar comment as in Rule CIU-2.4.13.</p>	<p>EJ</p>	<p>Refer to AP above.</p>
<p><i>CIU-9.4.6 The operator of a Bahrain domiciled CIU is responsible for all reporting requirements to the CBB and to other parties, as required in this Module. Such reporting requirements include but are not limited to(Refer to Paragraph CIU-2.4.14):</i> <i>(a) Submission of semi-annual and annual financial statements of the CIU(s) for each financial year to the CBB and to the CIU participants within the time periods specified in relevant Chapters of Module CIU;</i> <i>(b) In case of CIUs structured as corporates/contractual, filing of annual financial statements of</i></p>	<p>A raised comment: similar comments to CIU-2.4.14.</p>	<p>EK</p>	<p>Refer to AQ above.</p>

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<p><i>the fund company(s) for each financial year with the CBB and the Ministry of Industry & Commerce within the time periods specified in the Commercial Companies Law;</i> <i>(c) Reporting any breach to the requirements of this Module, the CIU documents, or any directions issued by the CBB;</i> <i>(d) Reporting any material amendments to the CIU documents on a timely basis;</i> <i>and</i> <i>(e) Filing with the CBB Form CIU (QS), Quarterly Statistical Return, within the deadline specified in the return.</i></p>			
<p><i>CIU-9.4.8 Trustees of Bahrain domiciled CIUs must notify the CBB immediately upon deciding to suspend dealings in a CIU. (Refer to Paragraph CIU-2.5.8).</i></p>	<p>A raised comment: similar comment as in Rule CIU-2.4.13.</p>	<p>EL</p>	<p>Refer to AP above.</p>
<p><i>CIU-9.4.9 The trustee of Bahrain domiciled CIU is responsible for all reporting requirements to the CBB and to other parties, as required in this Module. Such reporting</i></p>	<p>A raised comment: similar comments to CIU-2.4.14.</p>	<p>EM</p>	<p>Refer to AQ above, but rule reference is CIU-2.5.5.</p>

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<p><i>requirements include but are not limited to (Refer to Paragraph CIU-2.5.9):</i></p> <p><i>(a) Submission of semi-annual and annual financial statements of the CIU(s) for each financial year to the CBB and to the CIU participants within the time periods specified in relevant Chapters of Module CIU;</i></p> <p><i>(b) In case of CIUs structured as corporates/contractual, filing of annual financial statements of the fund company(s) for each financial year with the CBB and the Ministry of Industry & Commerce within the time periods specified in the Commercial Companies Law;</i></p> <p><i>(c) Reporting any breach to the requirements of this Module, the CIU documents, or any directions issued by the CBB;</i></p> <p><i>(d) Reporting any material amendments to the CIU documents on a timely basis;</i></p> <p><i>and</i></p> <p><i>(e) Filing with the CBB Form CIU (QS), Quarterly Statistical Return, within the deadline specified in the return.</i></p>			
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<p><i>CIU-9.4.13 Custodians must provide the fund manager and fund administrator with a statement of assets pertaining to the CIU, on intervals, as agreed between the parties. (Refer to Paragraph CIU-2.7.12).</i></p>	<p>A licensee: similar comment as in Rule CIU-2.7.12.</p>	<p>EN</p>	<p>Refer to BD above .</p>
<p><i>CIU-9.4.14 Fund Administrator:</i> (a) Reporting of the NAV to the operator, fund manager and CIU participants of the CIU; (b) Reporting of the CIU’s annual financial statements (within 4 months of the financial year-end of the CIU) and semi-annual financial statements (within 2 months of the relevant 6-month period) to the operator, fund manager, CIU participants of the CIU and CBB</p>	<p>A licensee: is this part of the responsibility of the administrator or registrar?</p> <p>A raised comment: spelling mistake: in bullet (b), the word “finanical” need to be replaced by “financial”.</p>	<p>EO</p> <p>EP</p>	<p>Agree that reporting to participants should be done by the registrar; however, reporting to CBB and other parties should be done by the administrator. Text will be amended to split the responsibility between both the admin and registrar. In the administrator responsibilities, it will state that NAV and financials must be submitted to the registrar for circulation to participants, and in the registrar duties, it will be stated that such reports are to be circulated to the participants. Rules affected: CIU-2.8.8, CIU-2.9.5, and CIU-9.4.14.</p> <p>Agree, text will be amended.</p>
<p><i>CIU-9.4.14 Fund Administrator:</i> (e) Report to the CBB, fund manager and operator, if the NAV of retail CIUs or expert CIUs:</p>	<p>A licensee: similar comment as in Rule CIU-2.8.8.</p>	<p>EQ</p>	<p>Refer to BK above.</p>

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<p>(i) Falls below 60% of the initial value per unit, at any valuation date; (ii) Falls below 60% of the initial total size of the CIU; or (iii) Falls below 50% of the total size of the CIU relative to the previous valuation day.</p>	<p>A raised comment: similar comment as in Rule CIU-2.8.8</p>	<p>ER</p>	<p>Refer to BL above.</p>
<p>CIU-9.4.14 Fund Administrator Reporting Requirements (f) Report to the CBB any case in which the investment strategy limits are breached;</p>	<p>A licensee: similar comment as in Rule CIU-2.8.8. A licensee: similar comment as in Rule CIU-2.8.6.</p>	<p>ES ET</p>	<p>Refer to BM above. Refer to BG above.</p>
<p>CIU-9.6.6 The fund administrator of a Bahrain domiciled retail CIU or a Bahrain domiciled expert CIU must notify the CBB, in writing, if the NAV of the CIU falls below (Refer to Rules CIU-4.9.4 and CIU-5.9.4): (a) 60% of the initial value per holding at any valuation date; (b) 60% of the initial total size of the CIU; or (c) 50% of the total size of the CIU relative to the previous valuation day.</p>	<p>A licensee: similar comment as in Rule CIU-2.8.8. A raised comment: similar comment as in Rule CIU-2.8.8.</p>	<p>EU EV</p>	<p>Refer to BK above. Refer to BL above.</p>

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<p><i>CIU-9.7.1 Any change to the prospectus and simplified prospectus of an overseas domiciled CIU must be communicated to the CBB and to CIU participants, within 30 calendar days of the change (Refer to Paragraph CIU-12.1.8).</i></p>	<p>A licensee: the timeline may not be practical given the process of getting such documents/information from the CIU.</p>	<p>EW</p>	<p>Agree, need to be amended to state that such changes need to be communicated to investors within the same deadline specified by the home regulator. Text will be amended.</p>
<p><i>CIU-11.1.2 Once, following its receipt of the notification referred to above, the CBB has given its “in principle” approval to the liquidation taking place, the operator may then seek the formal approvals needed from any other person(s) required by law before the liquidation process can be commenced. The operator may not however, undertake any step amounting to actual liquidation of the CIU until it has received a final written permission from the CBB. The liquidation, and all such steps as are necessary to approve its commencement, must be (save for the precedence of these Rules) conducted according to the terms of the</i></p>	<p>A raised comment: CBB needs a Board resolution and a formal request prior to granting the final written permission to liquidate. Also, there should be a separate rule for granting the permission, as this is mentioned in the guidance only.</p>	<p>EX</p>	<p>Agree, text will be amended.</p>

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<i>instrument constituting the CIU and any other applicable laws.</i>			
<i>CIU-11.1.14 The CBB reserves the right, to impose any further directions, it considers desirable to effect the fair and orderly liquidation of a CIU.</i>	A raised comment: replace “desirable” with “necessary”.	EY	Agree, text will be amended.
<i>CIU-12.1.8 Any change to the prospectus and simplified prospectus must be communicated to the CBB and to CIU participants, within 30 calendar days of the change.</i>	A licensee: similar comment to rule CIU-9.7.1.	EZ	Refer to EW above.
<i>CIU-12.1.10 The placement agent of overseas domiciled expert CIUs and overseas domiciled exempt CIUs must be able to demonstrate that each of their participants fall within the definition of an expert investor or accredited investor (as appropriate). They should also be able to demonstrate that the additional risks potentially represented by an expert CIU or exempt CIU have been clearly communicated and understood by the CIU participants.</i>	A licensee: what risks are associated with those categories that need to be conveyed to investors?	FA	Since the CIU is not regulated by the CBB, the CBB does not review the prospectus in details to be able to specify the risks in each product. The placement agent will have to study the documents of the CIU, assess the risks. And communicate the same to potential investors.

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<p><i>CIU-12.3.1 Overseas domiciled CIUs must publish and distribute to their Bahrain resident CIU participants at least one report in respect of each financial year. Annual reports and accounts prepared in accordance with home jurisdiction accounting standards must be published and distributed to Bahrain resident CIU participants within the time scales specified by their home jurisdiction.</i></p>	<p>A licensee: the documents of a CIU would usually include a web link where clients are able to view CIU details and reports. Suggest to amend the rule to state that where the participants require further information, the bank will assist them accordingly.</p>	<p>FB</p>	<p>Agree; will amend the rule to state that reporting must be done within the timeframe, format, and mean of distribution specified by the home regulator. Investors should be informed of the reporting mechanism and timeframes prior to investing in the CIU.</p>
<p><i>CIU-13.1.1 Private investment undertakings (PIUs) are defined as investment undertakings/funds that are registered with the CBB and may be initiated by or offered to high net worth individuals or institutional investors, and impose a minimum initial investment/participatory interest of USD 3 million (or equivalent in any other currency).</i></p>	<p>A licensee: recommends that the minimum initial investment of USD 3 million to be reduced to USD 500,000 for clients to diversify their portfolio.</p> <p>A law firm: can a PIU be structured as a B.S.C.(c)?</p> <p>A law firm: it is our understanding that a PIU is a club deal rather than a fund. Please clarify.</p>	<p>FC</p> <p>FD</p> <p>FE</p>	<p>Don't agree. This category is strictly for private investments.</p> <p>Yes, it can be.</p> <p>It is a club deal utilizing the fund structure.</p>

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<p><i>CIU-13.1.5 PIUs are only regulated to the extent that they must be registered with the CBB prior to being offered to investors; may only be offered to high net worth investors; and are subject only to high-level disclosure and reporting requirements. They are not subject to any restrictions on their investment policies, as a result of which they may exhibit high risk characteristics, such as high levels of leverage and the taking of large speculative positions. Accordingly, PIUs may only be offered to a highly restricted investor base (i.e. those defined as high net worth investors).</i></p>	<p>A raised comment: similar write-up to exempt CIUs in CIU-1.2.19, need to differentiate. At the very least, there should be a mention that there are no reporting requirements, except for the quarterly reporting requirement in CIU-13.9.1, the purpose of which is to monitor the growth in the financial sector.</p>	<p>FF</p>	<p>Agree, text will be amended.</p>
<p><i>CIU-13.1.7 High net worth investors are: (a) Individuals holding financial assets (either singly or jointly with their spouse) of USD 25 million or more; (b) Companies, partnerships, trusts or other commercial undertakings, which have financial assets available for</i></p>	<p>A licensee: recommends that the threshold limit of USD 25 million to be reduced to BD 7 million limit for dealing with clients under the wholesale banking license.</p>	<p>FG</p>	<p>This category is strictly for private investments. Those who are not eligible to invest in those products can invest in exempt CIUs.</p>

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<p><i>investment of not less than USD 25 million; or</i> <i>(c) Governments, supranational organisations, central banks or other national monetary authorities, and state organisations whose main activity is to invest in financial instruments (such as state pension funds).</i></p>	<p>A licensee: USD 3 million will deprive small and medium size corporate from participating in such investments. The norm for such investments is USD.5 million to USD 1.5 million. As long as the offering document clearly identifies the risk factors, the minimum investment limit should be set low. In addition, the USD 25 million threshold is difficult to verify, and there is no certainty that the investor understands the business risk.</p>	<p>FH</p>	<p>Investors with USD.5 million to USD 1.5 million can invest in an exempt CIU. The minimum investment and the minimum financial assets thresholds were set high to ensure that such investors understand the risk of the investments and the fact that they are investing in an unregulated product (or can hire advisors to assess such risks), and can absorb the losses, if any.</p>
<p><i>CIU-13.2.2 The appointment/combination of relevant persons to the PIU, must observe the following:</i> <i>(a) The operator/custodian of a PIU which must be the same entity, must also be a CBB licensee</i></p>	<p>A raised comment: this means only custodians are allowed to operate a PIU. What if there was a manager involved? What if a bank would like to establish a PIU and be the operator?</p> <p>A licensee: can the CBB clarify if only CBB licensed custodian can act as an operator of a PIU.</p>	<p>FI FJ</p>	<p>As per the rule, only custodians are allowed to do so, but the rule needs amendment to state that there need to be a custodian which must be a CBB licensee. A separate point will be added to address the operator issue, which will give the option of either an eligible licensed entity, or the custodian, to act as operator.</p> <p>Similar answer as FI above.</p>

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<p><i>CIU-13.2.2 The appointment/combination of relevant persons to the PIU, must observe the following: (b) The appointment of a fund manager is optional</i></p>	<p>A raised comment: in case a manager is appointed, can that manager act as the PIU’s custodian, administrator, registrar, and operator on the basis that its appointment is optional at the first place?</p>	<p>FK</p>	<p>The manager cannot act as the administrator and custodian, but can be the operator. Write-up will be amended.</p>
<p><i>CIU-13.4.4 A request for registration under Rule CIU-13.4.1 must be made by submitting a formal letter signed by an authorised signatory of the applicant, together with all supporting documentation, as follows: (a) Draft Private Offering Document; (b) Draft Memorandum and Articles of Association or Trust Instrument (or trust deed, where appropriate); (c) Certified and valid passport copies and CVs of the directors (or trustees, as appropriate); and (d) A board resolution of the operator, approving the application to seek registration of the PIU.</i></p>	<p>A raised comment: why do we require the offering documents to be submitted to CBB?</p> <p>A raised comment: point c, the corporate governance section speaks about directors only, regardless if it was a corporate or a trust structure. There is no reference for trustees in other than this rule. Suggest removing this word to maintain consistency.</p>	<p>FL</p> <p>FM</p>	<p>This is for filing purposes only. CBB will add a guidance. Also, since prospectus will not be reviewed, the structure and names of relevant persons must be mentioned in the letter. Text will be amended accordingly.</p> <p>Agree, text will be amended.</p>

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<p><i>AU-13.4.18 Where the PIU is de-registered, (whether at the initiative of the operator/custodian or the CBB), no refund is paid for any months remaining in the calendar year in question.</i></p>	<p>A raised comment: Rule reference is wrong. Replace AU with PIU.</p>	<p>FN</p>	<p>Agree, will be amended.</p>
<p><i>CIU-13.5.2 The board of the PIU, or trustees, as appropriate, must ensure that the information contained in the private offering document:</i></p> <p><i>(a) Is complete and transparent;</i></p> <p><i>(b) Is not false, misleading, or is unfairly prejudicial to the interests of the PIU participants generally or to the participants of other classes of instruments issued by the PIU;</i></p> <p><i>(c) Does not contain any provision that conflicts with any Rule in this Volume, or other legal or regulatory requirements that apply to the PIU or other relevant persons connected to the PIU; and</i></p> <p><i>(d) Does not conflict with any other Laws or Regulations in any jurisdiction.</i></p>	<p>A raised comment: similar to the 2nd comment to Rule CIU-13.4.4.</p>	<p>FO</p>	<p>Refer to FM above.</p>

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<p><i>permitted by virtue of the license held.</i></p>			
<p><i>Appendix B, (j) Distribution policy: The distribution policy and the approximate dates on which dividends (if any) or capital returns (if applicable), will be paid.</i></p>	<p>A raised comment: suggest adding “frequency and/or” before “approximate dates”.</p>	<p>FS</p>	<p>Agree, text will be amended.</p>
<p><i>Appendix D2 Admissible Assets and Limits (Expert CIUs):</i></p> <ul style="list-style-type: none"> • <i>Not more than 20% of the total NAV of the CIU may be invested with a single party.</i> • <i>Not more than 20% of the total NAV of the CIU may be invested with a single group of connected parties (defined above).</i> 	<p>A fund operator: given the structure of the GCC, it is very difficult to abide with the thresholds on the single party or the connected parties. Suggest increasing the limit to 30% for non benchmark funds, and the benchmark plus 10% for benchmarked funds.</p>	<p>FT</p>	<p>Agree that the limit for group of connected parties should be changed to 30%, but the single party limit will remain at 20%. In addition, benchmarked funds must abide with the said thresholds. Operators wishing to invest beyond those limits can consider establishing an exempt CIU. Will amend threshold of connected parties to 30%.</p>

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<p><i>Appendix E: Contents of Financial reports</i> <i>1: General requirements (for both annual and semi-annual reports):</i> <i>Names and address of the external auditor, fund company and relevant persons.</i></p>	<p>A raised comment: add “if applicable” after “fund company” because the fund can also be structured as a trust rather than a company.</p>	<p>FU</p>	<p>Agree, text will be amended.</p>
<p><i>Appendix E: Contents of Financial reports</i> <i>Requires distributions to CIU participants to be recorded in the following manner:</i> <i>Net Income</i> <i>Less Distribution to CIU Participants</i> <hr/><i>Amount transferred to statement of change in net assets attributable to CIU participants</i></p>	<p>A fund operator: classifying "distribution to CIU participants" under the net income / loss for the period is a single statement approach as per IAS 1. Since IFRS supports single as well as dual statement approach for "Statement of Comprehensive Income", such classification should be left as per Para 81 of IAS 1 as adopted by CIU.</p>	<p>FV</p>	<p>There are two approaches for the presentation of the P&L statement according to IAS. Appendix E describes one of the methods only. A note will be added in the table stating that the BOD of the CIU may elect to use the two statements approach as per para 81 of IAS 1.</p>

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<p><i>CIU Application Form</i></p> <p><i>No.16 requiring a separate document summarizing the profile of the operator.</i></p>	<p>A raised comment: this should apply to Bahrain domiciled CIUs only.</p>	<p>FW</p>	<p>Agree, text will be amended.</p>
<p><i>Form CIU QS</i></p>	<p>A raised comment: overseas domiciled CIUs sheet is not practical to be used. Suggest to return it back to landscape, with each CIU data available in a separate row rather than column</p>	<p>FX</p>	<p>Agree, will be amended.</p>