

Module Training and Competency (TC) For Conventional Retail Banks

Industry Comments and Feedback

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Industry Comments		
General Comments:	Ref	CBB's Response
A bank noted that the 'Training & Competency Module', in particular 'Qualifications and Core Competencies', specifies minimum experience years in the bank / in the particular function. Whilst it is positive to see a transparent guideline in this regard, the requirements specified may deter progression of high performing / high potential staff who may be considered for progression to positions within controlled functions.	GR1	The qualifications and experience in the appendix of the TC are rules and will be used by the CBB as a criteria in assessing the candidates. However, the CBB could potentially decide that overall a candidate is fit and proper even if he is not meeting all the Q&E requirements in the appendix.
A bank noted that the applicability of the Module to licensees' overseas branches and wholly owned subsidiaries needs to be explained.	GR2	This Module should apply only to the Bahrain operations of locally incorporated banks. TC-B1.2 clearly states In the case of an overseas conventional bank licensee, the application of this Module is restricted to its Bahrain operations. Equivalent standards should apply for such foreign branches as apply to locally incorporated banks.
A bank noted that a competency assessment would need to be conducted for all controlled functions on annual basis. i. The scope of such competency assessment would need to be clearly	GR3	i. See GR1.

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<p>defined by the CBB. Appendix TC-1 specifies technical competencies and experience levels as the criteria for assessment of each defined role. In general, the bank feels that the model proposed (focusing on specific certifications) may be too restrictive and may not measure the actual expertise or skills gained or obtained by a person. The bank proposes that CBB would instead consider mandating Banks to establish a technical and leadership/behavioral assessment model, whereby Banks would have the liberty to define and assess the minimum acceptable competencies of controlled functions. This model may be subject to CBB's review.</p> <p>ii. CBB should consider a lesser frequency for the conduct competency assessments for higher positions such as CE, deputies to the CE and directors.</p>		<p>ii. TC-2.1.10 notes that the assessment of competence will be dependent on the nature and level of complexity of the controlled function. Module TC does not dictate the frequency of competency assessments.</p>
<p>A bank noted that, in summary, while they agree that senior management and Board level positions need to be retained as 'Controlled Functions' and be subject to CBB approval, inclusion of other roles (beyond those per LR 1A.1.2) as Controlled Functions is not advisable. They also suggest that the criteria proposed in Appendix TC- 1 should be amended and the CPD training requirement of 15 hours a year should be deleted as the present proposals do not appear to be appropriate in the context of the seniority and nature of 'Controlled Functions'.</p>	GR4	<p>As noted in the cover letter to the consultation document, the reference to controlled functions in Module LR (Licensing Requirements) will be amended to be in line with those included in Module TC Also see comments under GR1.</p> <p>With regards to CPD training requirement of 15 hours, attending a two-day conference can also be counted as CPD, which can be the case for more senior controlled functions and is considered reasonable.</p>

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		Banks should arrange presentations for the Board members.
A bank noted that they would be interested to know that what will constitute of 1 CPD hour. They understand that 1 hour of study through the modes mentioned in the module will make up 1 CPD hour. The Bank would further suggest that self-learning/self-study effectively monitored and authenticated by a mentor or a supervisor should also be considered amongst other mode of Continuous Professional Development.	GR5	TC-2.2.2 mentions that “The assessment and training plan described in Paragraph TC-2.2.1 should be aimed at ensuring that the relevant approved person maintains competence in the controlled function. An individual can develop skills and gain experience in a variety of ways. These could include on-the-job learning, individual study, and other methods. In almost every situation, and for most individuals, it is likely that competence will be developed most effectively by a mixture of training methods.”
A bank noted that in their opinion the qualification criteria should be flexible in terms of choice between academic and professional qualifications, instead of both being mandatory against each control function position, keeping in view demand and supply of qualified personnel and fluctuating condition of the labour market.	GR6	See GR1
A bank noted that they believe that the periodic and annual performance appraisal which is carried out against specific performance objectives set at the start of the year should constitute formal assessment of a controlled function’s level of competency. The bank’s understanding is that the expectation for performance assessment of a Controlled Function’s competency for the role does not entail meeting training objectives as specified in the TC Module. Please confirm or clarify our understanding.	GR7	TC-2.2.1 clearly states that A conventional bank licensee must annually determine the training needs of individuals undertaking controlled functions. It must develop a training plan to address these needs and ensure that

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		<p>training is planned, appropriately structured and evaluated.</p> <p>Therefore, meeting training objectives is a requirement that conventional bank licensees need to follow.</p>
<p>A bank wished to draw CBB's attention to the availability of adequate national and regional resources of senior management personnel with significant skills and experience, but some may not possess the prescribed professional qualifications. Also, many of the prescribed qualifications are administered by relatively new professional bodies. A prescriptive / specific qualification requirement for all positions may not only allow for compromising on any quid pro quo of experience against academic attainment, but will also adversely impact on the career growth opportunities for such senior experienced personnel in the industry. Considering this scenario and given that all approved positions currently undergo a detailed "Fit and Proper" test in addition to CBB's strict interview and approval process, we recommend that the mandatory qualification requirements be deferred for now, and may be considered after a moratorium of 3 to 5 years.</p>	GR8	See GR1
<p>A bank noted with regard to Section TC 1.1 and the relevant Appendix in relation to Controlled Functions, they appreciate the proposed minimum / expected level of experience and qualification outlined in the subject section, however there can also be instances where the bank may consider hiring an employee based on the competency and qualification that may not necessarily be in lines with the exact requirements of the CBB, but in other ways meet or exceed the overall criteria set by the CBB.</p>	GR9	See GR1

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Specific Comments:			
Reference to the draft Directive:	Comments	REF	CBB's Response
TC-B.1.5 In the case of outsourcing arrangements, the conventional bank licensee should refer to the competency requirements, outlined in Appendix TC-1 for controlled functions, for assessing the suitability of the outsourcing provider.	<p>A bank noted the following:</p> <ul style="list-style-type: none"> • Not clear. Moreover, is that applicable to material outsourcing arrangements, as defined in CBB's Rulebook, or to all outsourcing arrangements regardless of materiality? • If the expectation is that banks should ensure that the management of the service provider has the same competency as those mentioned in Appendix TC-1, then we are of the view that this is very onerous and will restrict banks' ability to find suitable service providers at a reasonable cost. Moreover, the qualifications and core competencies mentioned in Appendix TC-1 are more applicable to banks and financial institutions and cannot be generalized to all types of organizations. 	SP1	<p>This is applicable to any outsourcing arrangement of controlled functions.</p> <p>The qualifications and experience in the appendix of the TC are rules and will be used by the CBB as a criteria in assessing the candidates. However, the CBB could potentially decide that overall a candidate is fit and proper even if he is not meeting all the Q&E requirements in the appendix.</p>
TC-1.1.1 Individuals occupying controlled functions (refer to Paragraphs LR-1A.1.5 to 1A.1.16) in a conventional bank licensee must be qualified and suitably experienced for their specific roles and	A bank noted that under TC-1.1.1 and TC-1.1.13, 'Heads of functions 'are defined as a new category under controlled functions. However, it is unclear as to what functions have to be included by the Bank and the expected seniority level of the heads of those functions. For instance, would the heads of functions have to be senior	SP2	The definition of Heads of other Functions is very clear. The bank must see if that definition applies to any of its functions and hence obtain CBB approval. In case of doubt, the bank should refer back to the CBB to seek clarification.

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<p>responsibilities. The controlled functions are those of:</p> <p>(a) Board Member;</p> <p>(b) Chief Executive or General Manager and their Deputies;</p> <p>(c) Chief Financial Officer and/or Financial Controller</p>	<p>management directly reporting to the CE? The definition, as proposed, leaves scope for varying interpretations to be adopted/implemented by banks.</p>		<p>Additional guidance has been added stating that banks should contact the CBB should they require further clarification on whether a specific position falls under the definition of ‘heads of functions’.</p>
<p>(d) Head of Risk Management;</p> <p>(e) Head of Internal Audit;</p> <p>(f) Head of Shari’a Review;</p> <p>(g) Compliance Officer;</p> <p>(h) Money Laundering Reporting Officer;</p> <p>(i) Deputy Money Laundering Reporting Officer; and</p> <p>(j) Heads of other Functions.</p>	<p>A bank noted that this clause proposes to increase Controlled Functions beyond the present definition as per LR 1A.1.2. We submit that the proposed change is not necessary, as it should be the responsibility of Senior Management of banks to ensure that competent, qualified, ‘fit & proper’ officers handle responsibilities within banks. The CEO and his direct reports (who bear responsibility for different functions) are already Controlled Functions as per LR 1A.1.2 and their appointments are approved by CBB. By having other roles (irrespective of reporting line and responsibility) also approved by the CBB, the regulator will not only be involved to an unnecessary extent in bank operations but increase moral hazard as this will also allow some banks to shift responsibility for the quality of their management teams, claiming that these have been approved separately by the CBB. We submit that the present listing of Controlled Functions as per LR 1A.1.2 adequately meets requirements and additional roles should not be added as Controlled Functions as per TC 1.1.1. CBB’s control on quality of Management of banks can be satisfactorily met by retaining approval authority</p>	<p>SP3</p>	<p>See GR4 Disagree. The new list of controlled functions must be approved by the CBB since their jobs involve risk acquisition and control.</p>

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	of the position of CEO and his direct reports.		
	<p>A bank noted that to make the rule clearer and to have a consistent application among banks, the CBB should:</p> <ul style="list-style-type: none"> • Add details on whether members of Shari’ a Supervisory Board are included in the definition of approved persons/ controlled functions or not. • For Heads of other Functions, clarify if this is limited to those who report directly to the Board/CEO/GM; or include heads of all functions regardless of their reporting lines. For example, a bank might have Head of Credit Risk, Head of Market Risk, and Head of Operational Risk whereby all of them report to the Chief Risk Officer. Our understanding is that only the Chief Risk Officer is the Approved Person and that the others (Heads of Credit, Market and Operational Risks) are not as they are not at the top of the function. 	SP4	<ul style="list-style-type: none"> • SSB Members have not been included since it is difficult to assess Shari’a Scholars who have a high position in the country. • The definition of Heads of other Functions is very clear. The bank must see if that definition applies to any of its functions and hence obtain CBB approval.
	A bank noted that the list of controlled functions defined under TC-1.1.1 is inconsistent with the list of controlled functions under module LR (Licensing Requirements). In particular, the category of personnel under “Heads of other Functions” is unclear, subjective and is open for interpretation for each licensee. We therefore recommend that the category of controlled functions currently defined under LR 1A.1.2	SP5	See GR4

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	remain unchanged and the same be reflected in the proposed TC module.		
TC-1.1.3 Competence is assessed by the CBB on the basis of experience and relevant qualifications described in Appendix TC-1 as a minimum. However, the CBB reserves the right to impose a higher level of qualifications as it deems necessary.	A bank noted that the proposed criteria (in the column titled “How can competences be demonstrated” in Appendix TC -1) seem excessively skewed towards qualifications, without giving adequate weight to breadth, depth and length of experience. While we strongly believe that qualifications are extremely important, we equally firmly suggest that qualifications are not a substitute for experience, skill and judgment (acquired from both qualifications and experience).	SP6	“How can competences be demonstrated” in the appendix to Module TC is a rule and will be used by the CBB as a criteria in assessing the candidates. However, the CBB could potentially decide that overall a candidate is fit and proper even if he is not meeting all the Q&E requirements in the appendix.
TC-1.1.11 In accordance with Paragraph LR-1A-1.12, an employee of appropriate standing must be designated by the conventional bank licensee for the position of compliance officer. The duties of the compliance officer, include: (a) Having responsibility for oversight of the conventional bank licensee’s compliance with the requirements of the CBB and other applicable laws and regulations; (b) Raising awareness and providing training for the	A bank noted with reference to rule TC-1.1.11.a, they would recommend clarifying “other applicable laws and regulations “, this is in order to maintain the independency between the Regulatory Compliance and Legal functions.	SP7	Other laws and regulations is left broad to ensure that other laws that may apply are considered. These would include such laws as the Companies Law and the Labour Law. The compliance and legal function should complement each other.

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<p>conventional bank licensee's staff on compliance issues; and</p> <p>(c) Reporting to the conventional bank licensee's Board in respect of that responsibility.</p>			
<p>TC-1.1.13 Heads of other functions, where risk acquisition or control is involved, are responsible for tracking specific functional performance goals in addition to identifying, managing, and reporting critical organisational issues upstream. Certain functions require dealing directly with clients while others do not. Both categories of functions, however, require specific qualifications and experience to meet the objectives as well as compliance requirements of the conventional bank licensee.</p>	<p>A bank noted that The existing rules (LR 1A.1.15) describes a "Financial Instruments Trader" as a Controlled Function. Does this mean that under the proposed rules they do not have to seek approval for any Financial Instruments Traders working in the Treasury function (except the Head of Treasury as he/she will need to be approved as a Head of a Function?</p>	<p>SP8</p>	<p>See GR4.</p>
	<p>A bank noted that under TC-1.1.1 and TC-1.1.13, 'Heads of functions 'are defined as a new category under controlled functions. However, it is unclear as to what functions have to be included by the Bank and the expected seniority level of the heads of those functions. For instance, would the heads of functions have to be senior management directly reporting to the CE? The definition, as proposed, leaves scope for varying interpretations to be adopted/implemented by banks.</p>	<p>SP9</p>	<p>See SP2</p>
	<p>A bank noted that the reference appears to be very general and it would be more beneficial if the Central Bank could provide a broader definition to</p>	<p>SP10</p>	<p>See SP2</p>

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	further clarify as to the scope of functions that would typically fall under this Section, if these may also include sub-functional roles that report to senior roles.		
TC-1.2.1 All individuals holding controlled functions in a conventional bank licensee must undergo a minimum of 15 hours of CPD per annum.	A bank noted that under TC-1.2.1, 15 hours of continuous professional development training is required for each controlled function on annual basis. i. This would be difficult to achieve for Board members, given tight schedules and possible commitments to various Board Committees as well as other Boards. Particularly, in terms of directors serving in multiple boards or executives serving in various boards, achieving this target would be challenging, especially if each institution would need to comply with the regulation independently, not considering training hours conducted for the controlled functions by other entities.	SP11	i. With regards to CPD training requirement of 15 hours, attending a two-day conference can also be counted as CPD, which is the case for controlled functions and considered reasonable. Banks should arrange presentations for the Board members.
	ii. Since banks may find it difficult to ensure the specified hours in respect of Board members who incidentally may be on the Boards of other institutions as well, the number of hours of CPD training may be sought to be reduced to 5 hours for the Board Members.		ii. As per HC Module, No Board member may have more than one Directorship of Retail Bank or Wholesale Bank; therefore, sitting on the board of 2 banks with 2 business models may require different type of training as the training objective may differ for directing retail bank versus directing a wholesale bank.

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	<p>iii. What constitutes ‘professional development training’ would require elaboration in terms of coverage or the type of training expected. Does the CBB expect the training to include only business-related development or would leadership training also be acceptable?</p>		<p>iii. It is up to the licensee to decide on the acceptable type of training for each position.</p>
	<p>A bank are of the view that stipulating a regulatory requirement of Continuous Professional Development (CPD) Training of minimum 15 hours for Directors, CEOs, GMs, etc. is unwarranted. As appropriately stated in TC 2.2.2, “an individual can develop skills and gain experience in a variety of ways. These include on-the-job learning, individual study and other methods”. We do not support TC 2.2.3 & 2.2.4 which state that attending workshops, conferences and seminars are the means of professional development, especially as it will not always result in good quality training since the quality of such seminars / conferences vary depending on facilitators, organizers and participants. We submit that the requirement for CPD training should be deleted and CBB should review the actual results / performance of the bank and the individual to assess whether he continues to be competent enough for the role.</p>	<p>SP12</p>	<p>Disagree. Module TC is proposed to ensure that individuals holding controlled functions are competent enough to handle such position and maintain their competence through CPD.</p>
	<p>A bank noted the following:</p> <ul style="list-style-type: none"> • Requirement for 15 hours of CPD per 	<p>SP13</p>	<ul style="list-style-type: none"> • TC-2.2.2 clearly states that: The assessment and training plan described in Paragraph TC-2.2.1

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	<p>annum as stated in TC 1.2.1 needs to be defined to a granular level. The bank believes it should entail any formal classroom training through third party training providers, any in-house computer based e-learning on bank internal policies/procedures, any in-house computer based or classroom soft skills, any external workshop attended on soft skills training and/or attendance at any business leadership networking and training/ learning events as well as training held for relevant CBB Quarterly updates.</p>		<p>should be aimed at ensuring that the relevant approved person maintains competence in the controlled function. An individual can develop skills and gain experience in a variety of ways. These could include on-the-job learning, individual study, and other methods. In almost every situation, and for most individuals, it is likely that competence will be developed most effectively by a mixture of training methods.</p> <p>Therefore, any other training method is acceptable.</p>
	<ul style="list-style-type: none"> In the bank's view if Financial Advice Program (FAP) accreditation is undertaken by relevant Controlled function staff, it should count towards 15 hours annual training. 		<ul style="list-style-type: none"> Noted
	<p>A bank noted that the mandatory requirement for Continuous Professional Development ("CPD") of 15 hours for all controlled functions is too rigid in its approach, and undermines the individual traits of each personnel in terms of specific skills, knowledge, experience, qualifications and competency levels, which are unique and variable</p>	<p>SP14</p>	<p>Disagree. See SP11 It is up to the licensee to decide on the form of training that it would see suitable for each controlled function.</p>

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	<p>in nature. Moreover, Module HC 4.5 specifically addresses the issue relating to ‘Training and Induction’ for Directors, which prescribes detailed requirement for formal training and tailored induction program for all Directors. We therefore suggest that this additional prescriptive requirement of minimum 15 hours per annum of CPD be removed from the proposed regulation. For other controlled functions, banks should be allowed to adopt a tiered approach based on the mutability and complexity of respective individual roles and their relevant skill sets.</p>		
<p>TC-1.2.4 Supervisors of approved persons should have technical knowledge and relevant managerial skills.</p>	<p>A bank noted the following:</p> <ul style="list-style-type: none"> • How banks are expected to demonstrate this to the CBB? The supervisors of approved persons will be the GM/CEO/Board members and all of them are approved by the CBB (and should be fit & proper). • The term “technical knowledge” is very broad. 	<p>SP15</p>	<p>Normally such supervisors will be approved persons themselves, so this should satisfy the CBB.</p>
<p>TC-2.1.1 If a conventional bank licensee recruits or promotes an individual to undertake a controlled function, it must first file Form 3 (Approved Persons) with the CBB and obtain the express</p>	<p>A bank enquired what is the CBB’s expectation (how banks are expected to demonstrate this to the CBB)? The bank recommend that the CBB amend the Form 3 to require banks to give a declaration in the Form that they have considered the requirements of module TC and that they are</p>	<p>SP17</p>	<p>Demonstration to the CBB can be by either ensuring that Form 3 has been properly completed taking into account all qualifications and core competencies for controlled functions in Appendix TC-1. Or, the licensee can mention in a cover</p>

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<p>written approval of the CBB for that person to occupy the desired position. In its application, the conventional bank licensee must demonstrate to the CBB that full consideration has been given to the qualifications and core competencies for controlled functions in Appendix TC-1. (See Article 65(b) of the CBB Law and Paragraph LR-2.3.1).</p>	<p>satisfied that the candidate has the relevant qualifications and experiences.</p>		<p>letter with Form 3 stating that in the process of filling the form, full consideration has been given to the qualifications and core competencies for controlled functions in Appendix TC-1. We could add the suggested declaration to Form-3.</p> <p>Normally such supervisors will be approved persons themselves, so this should satisfy the CBB.</p>
	<p>A bank noted that they are not clear if it is mandatory for an individual to complete the requirements stated in Appendix TC-1 to be considered for promotion to a controlled function position. Can an individual be promoted and complete the requirements later?</p>	<p>SP18</p>	<p>See GR1</p>
<p>TC-2.1.3 A conventional bank licensee proposing to recruit an individual has to satisfy itself, of his/her relevant qualifications and experience. The conventional bank licensee should:</p> <p>(a) Take into account the knowledge and skills required for the role, in addition to the nature and the level of complexity of the controlled function; and</p> <p>(b) Take reasonable steps to obtain sufficient information about</p>	<p>A bank enquired what is the CBB's expectation (how banks are expected to demonstrate this to the CBB)? The bank recommend that the CBB amend the Form 3 to require banks to give a declaration in the Form that they have considered the requirements of module TC and that they are satisfied that the candidate has the relevant qualifications and experiences.</p>	<p>SP19</p>	<p>See SP17</p>

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<p>the individual's background, experience, training and qualifications.</p>			
<p>TC-2.1.5 In addition to recruitment procedures in TC-2.1.4, the conventional bank licensee must retain the recruitment records of controlled functions for a minimum period of five years following termination of their services or employment with the bank. Such records must include, but are not limited to, the following:</p> <ul style="list-style-type: none"> (a) Results of the initial screening; (b) Results of any employment tests; (c) Results and details of any interviews conducted; (d) Background and references checks; and (e) Details of any professional qualifications. 	<p>A bank noted that under TC-2.1.5, the record keeping requirements include results of employment tests. Employment tests may not be conducted for all categories/levels of employees by the bank and therefore we feel that such a requirement should not be kept mandatory.</p>	<p>SP20</p>	<p>Disagree. The rule clearly states that such records must include, "but are not limited to" the mentioned records. Therefore, if the bank does not conduct employment tests, it should at least retain the other records mentioned in TC-2.1.5.</p>
<p>TC-2.1.6 Conventional bank licensees must not allow an individual to undertake or supervise controlled functions unless that individual has been assessed by the conventional bank licensee as</p>	<p>A bank noted that Clause 2.1.6 states that an individual who is not 'competent' should not be allowed to undertake a Controlled Function, whereas clause 2.1.7 suggests that a person would be appointed as long as he is "working towards attaining a level of competence". These</p>	<p>SP21</p>	<p>Agree. TC-2.1.7 has been deleted.</p>

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<p>competent in accordance with this Section.</p>	<p>appear to be contradictory.</p>		
<p>TC-2.1.7 In the case of new personnel, the conventional bank licensee should ensure that they work under proper supervision. Where a person is working towards attaining a level of competence, they should be supervised by a competent person until they can demonstrate the appropriate level of competence. It is the conventional bank licensee's responsibility to ensure that such arrangements are in place and working successfully.</p>	<p>A bank suggest that for positions other than Directors, CEO and his direct reports (i.e. "Senior Managers" as defined in LR 1A.1.8 and LR 1A.1.9), appointing a person to a Controlled Function should be permitted as long as the person is working towards achieving the required qualification or competence within a specified time frame.</p>		<p>See GR-1</p>
<p>TC-2.1.9 Conventional bank licensees must assess individuals as competent when they have demonstrated the ability to apply the knowledge and skills required to perform a specific controlled function.</p>	<p>A bank noted the following:</p> <ul style="list-style-type: none"> • What is the CBB's expectation on this (how banks are expected to demonstrate to the CBB that they are in compliance)? Our understanding is that the assessment is taken care of at the initial appointment in/ promotion to a controlled function and on an annual basis as part of the annual performance review of executive management and performance evaluation of the board, as required by module HC. 	<p>SP22</p>	<ul style="list-style-type: none"> • The assessment process must be ongoing.
<p>TC-2.1.10 The assessment of competence will be dependent on the nature and the level of complexity of the controlled</p>	<ul style="list-style-type: none"> • How can a bank know whether a competing bank was regarding its ex-employee as competent or not? We assume that continuing in the post means the candidate was assessed by his/ her ex-employer as competent. Otherwise, if 		<ul style="list-style-type: none"> • As part of the proper recruitment procedures, a new employer should always check references, and in particular, establish from an independent source why the employee left his previous

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<p>function. Such assessment of competence of new personnel may take into account the fact that an individual has been previously assessed as competent in a similar controlled function with another conventional bank licensee.</p>	<p>the candidate was fired because he/she was not competent/fit & proper, the new employer might not be aware of this. However, the CBB will be in a better position to know this and to advise the new employer/ block the appointment when a bank request approval for a controlled function, as the CBB rulebook requires banks to notify the CBB on the departure/dismissal/resignation of approved persons along with the reason (LR-1A.1.23).</p>		<p>employment.</p>
	<p>A bank believe that clauses TC 2.1.6 and TC 2.1.9 appear to be in conflict with each other as the former requires banks not to allow an individual to undertake or supervise controlled function till assessed as competent in line with the TC Module. Whereas the later requirement requires banks to assess individual's competency based on demonstration of ability to apply knowledge and skills to perform a controlled function.</p>	<p>SP23</p>	<p>TC-2.1.9 only explains how being competent (mentioned in TC-2.1.6) is assessed and therefore it is not in conflict with TC-2.1.6.</p>
<p>TC-2.2.1 A conventional bank licensee must annually determine the training needs of individuals undertaking controlled functions. It must develop a training plan to address these needs and ensure that training is</p>	<p>A bank noted that if individual CPD training needs are determined by individuals in Controlled Function position themselves, then same should suffice the requirements of TC 2.2.1.</p>	<p>SP24</p>	<p>The training plan must be prepared by the bank itself which may also be prepared in consultation with the individual in the controlled function.</p>

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<p>planned, appropriately structured and evaluated.</p>			
<p>TC-2.2.3 The training plan of conventional bank licensees must include a programme for continuous professional development training (CPD) for their staff.</p>	<p>A bank noted the following:</p> <ul style="list-style-type: none"> In rule TC-2.2.3, we are not clear whether the term “staff” is referring to all staff, or approved persons who are staff members (i.e. not including Board) or all approved persons. 	<p>SP25</p>	<ul style="list-style-type: none"> Agree. the word will be replaced ‘staff’ with ‘approved person’.
<p>TC-2.2.4 Approved persons may choose to fulfill their CPD requirements by attending courses, workshops, conferences and seminars at local or foreign training institutions.</p>	<ul style="list-style-type: none"> Some board members might have board membership/ managerial positions in other organizations which might have their own training program. Will these count in the 15 hours minimum CPD per annum? 		<ul style="list-style-type: none"> As per HC Module, No Board member may have more than one Directorship of Retail Bank or Wholesale Bank; therefore, sitting on the board of 2 banks with 2 business models may require different type of training as the training objective may differ for directing retail bank versus directing a wholesale bank.
	<ul style="list-style-type: none"> Calculation of CPD hours is not clear. Recommend adding further details on this. 		<ul style="list-style-type: none"> Calculation of CPD hours should be based on attendance time spent.
	<p>A bank suggested that attendance to workshops / seminars organized by Chapters of professional bodies, such as ACA/CFA/ISACA/CPA and similar professional bodies should also be considered for recognizing the CPD requirements, under TC 2.2.4 and TC 2.2.9.</p>	<p>SP26</p>	<p>Noted. This is covered under TC-2.2.4</p>

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<p>TC-2.2.5 The annual training required under Paragraph TC-2.2.1 must also include the quarterly updates, if any, to the CBB Volume 1 (Conventional Banks) Rulebook, in areas relevant to each controlled function.</p> <p>TC-2.2.6 Conventional bank licensees should maintain appropriate training records for each individual. Licensees should note how the relevant training relates to and supports the individual's role. Training records may be reviewed during supervisory visits to assess the conventional bank licensee's systems and to review how the conventional bank licensee ensures that its staff are competent and remain competent for their roles.</p>	<p>A bank noted that under TC-2.2.5, CBB requires quarterly training on Rulebook updates to be conducted for all controlled functions. We feel that formal training may not be necessarily conducted for the quarterly Rulebook updates. Instead raising awareness about material changes in regulations to all the concerned including all controlled functions would be required and this may be accomplished through a variety of methods. In many institutions, compliance checklists are developed and circulated to all the concerned, with responsibilities and actionables, if any, identified.</p> <p>Some changes to the Rulebook may also be cosmetic or minor and formal training would not be required for such amendments. The changes may also be technical and may relate to financial, accounting or risk modeling aspects which would be for the awareness of all, but for the action of specific technical functions within the Bank. Any changes to the regulations are also reported and discussed on quarterly basis to the Audit Committee.</p>	<p>SP27</p>	<p>The CBB does not specify what method of training for the quarterly updates should be held. The licensee only needs to ensure that the relevant approved person occupying controlled functions are made aware of the quarterly updates to the CBB Rulebook Volume 1 that may affect their area of responsibilities.</p>
	<p>A bank suggests that the requirement to keep abreast of the CBB Rulebook (as well as latest legislation in the country, international best practice, etc.) is part and parcel of the responsibilities and job description for the holder</p>	<p>SP28</p>	<p>Disagree. It is the bank's responsibility and the bank's point of contact with the CBB (i.e. the Compliance Officer) that needs to pass the information on the quarterly updates to the CBB Rulebook</p>

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	<p>of any Controlled Function. By including a regulatory requirement in the Rulebook that banks should provide training programmes for this purpose, the individual is being given the opportunity to make excuses for his own failure to keep up to date with requirements. We suggest that these clauses be deleted.</p>		<p>Volume 1 to the controlled functions.</p>
<p>Appendix TC-1</p>	<p>A bank noted that in the appendix to the Module, CBB specifies qualifications required under each controlled function. It is not clear whether these are requirements or recommendations for the Bank to consider.</p> <p>i. Would the specified professional certifications be utilised as a basis for the CBB’s approval for the controlled function? Would an application be rejected by the CBB, if the person in question has a different certification offered by a different academic/professional institution than what is specified under the Appendix table, given that such a certification is within the same field of expertise and is of an acceptable quality/standard? This should be clarified within the context of this Module.</p>	<p>SP29</p>	<p>i. See GR1.</p>
<p>ii. We feel that suggesting experience or education requirements pertaining to a controlled function’s field of work or specialty for the purpose of competency assessment is indeed useful. However, the specific professional qualifications mentioned should only serve as</p>	<p>ii. See GR1</p>		

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	<p>examples for the Banks to consider; as such certifications may be offered by various providers across different countries.</p>		
	<p>iii. CBB may appreciate that for 'Heads of Other Functions', the competencies required would depend on the nature of the function handled and therefore Banks should decide on acceptable standards and skills that relate to their area of business and the functions to be included.</p>		<p>iii. See GR1</p>
	<p>iv. Expected responsibilities for each specified role would be different from Bank to the other and would also vary amongst types and size of licensees (i.e. Islamic versus Conventional Banks). Therefore, CBB should leave scope for banks to decide on the minimum acceptable competencies within the assessment model they adopt/establish.</p> <p>Overall, as pointed earlier, the assessment model specified under the Appendix does seem restrictive. The Banks should be instead required to establish a competency assessment model which includes technical and behavioral competencies, specified by them and suitable to their field of business.</p>		<p>v. See GR1</p>

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	<p>A bank recognized that the quality of qualifications vary depending on the quality of the examining body. Against this background, the proposed criteria have several aspects which cause concern, some of which are highlighted below:</p> <ul style="list-style-type: none"> ➤ The requirement of only 10 years experience for a prospective CEO seems to be too low. In our view, the quality of experience of the candidate is critical; therefore at least 20 years exposure to various aspects of banking is recommended, with over 10 years of senior management experience and backed by appropriate qualifications. 	SP30	<p>See SP29</p> <ul style="list-style-type: none"> ➤ Noted. To be changed as follows: “This person should have a minimum experience of 15 years in the banking sector of which at least 7 years at a senior management level in a bank.”
	<ul style="list-style-type: none"> ➤ The proposed criteria of only 7 years’ experience for an undergraduate to be a director of a bank also seems to underestimate the expectations from the role. 		<ul style="list-style-type: none"> ➤ Disagree. The proposed criteria of 7 years is acceptable to the CBB and does not need to be increased.
	<ul style="list-style-type: none"> ➤ For domestic systematically important commercial banks in Bahrain, the most significant risk exposure is credit risk. This is evident from the regulatory capital requirement for credit risk as well. Yet the proposed criteria for Risk Management 		<ul style="list-style-type: none"> ➤ With regards to Head of Risk Management qualifications and experience requirements, the Module mentions 5 years experience in risk management, which already includes credit risk management.

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	<p>Head assigns little importance to credit risk management experience and focuses on qualifications and experience more appropriate for a large trading/ investment bank.</p>		
	<p>A bank also suggest that the section “How can competences be demonstrated” in Appendix TC -1 should be reviewed and revised criteria set based on the size, scale and scope of different types of banks.</p>		See GR-1
	<p>A bank noted that the required experience and qualifications are not of the high caliber that one would expect for an approved person, especially for the DMLRO. Moreover, working towards achieving a given certification does not guarantee that the candidate will get the qualification. Approved persons must have the highest professional qualification related to their function. The CBB should liaise with the BIBF or other training institutes to determine the optimal professional qualifications for approved persons. As an example, the CRO should have CFA, PRM or FRM; the CFO should have CA, CFA, ACCA or CPA; the Head of HR should be a Chartered Fellow CIPD and so on. We can provide a full list if required.</p>	SP31	See GR-1

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	<p>The bank also recommends that all Heads of Functions should be required to have a professional certification in Finance. Finally, they recommend that the CBB itself provide some training and organizing discussion sessions with Compliance Officers on relevant topics, such as Rulebook Updates and Interpretation, Compliance, and Anti-Money Laundering.</p>		<p>The professional certifications mentioned in the Appendix for Heads of Functions are already finance-related certifications.</p> <p>With regards to training compliance officers by the CBB on Rulebook updates, such officers are quarterly informed by the CBB on such updates, which are very much clear. Any compliance officer finding any difficulty understanding the update, they can email the Rulebook team for any enquiries.</p>
<p>Appendix TC 1- Qualifications and Core competencies – Board Member</p>	<p>A bank noted that Independent Board members should have at least similar qualifications and experience requirements as that of the CEO. All other Board members must have significant related experience of at least 10-15 years in senior roles in Banking/Finance/Business. Lack of adequate leadership and business management experience at the Board level could lead to ineffective leadership.</p>	<p>SP32</p>	<p>Disagree. The experience requirements for board members apply to all board members and is acceptable for the CBB and hence will not be changed.</p>
<p>Appendix TC 1- Qualifications and Core competencies – Chief Financial Officer/Head of Financial Control</p>	<p>A bank noted that a CFO should have a professional certification such as CA, CPA or similar accredited certifications supported by an MBA in finance.</p>	<p>SP33</p>	<p>This is already mentioned in the qualifications and core competencies.</p>
<p>Appendix TC 1- Qualifications and Core competencies –Head of Sharia Review</p>	<p>A bank noted that Head of Sharia review should have a minimum 7 years relevant experience similar to the requirements for other heads.</p>	<p>SP34</p>	<p>Since Head of Shari’a Review is very difficult to find in the market, 5 years of experience is acceptable to the CBB.</p>

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Appendix TC 1- Qualifications and Core competencies –DMLRO	A bank noted that the minimum requirements for DMLRO should be relaxed. A minimum of 1 year experience in an anti money laundering role would prevent new individuals from being promoted to the DMLRO role.	SP35	See GR-1 1 year experience is minimal and should not be relaxed.
Appendix TC 1- Demonstrating Core competencies – Directors	A bank noted that experience in Quasi Government entities and other listed companies in the region, should also be considered.	SP36	Noted.
Appendix TC 1- Demonstrating Core competencies – Chief Financial Officer should have a minimum of 15 years of practical experience in a bank and of which at least 7 years in a finance function of a bank.	A bank suggested the following: - 10 years practical experience and 7 years in Finance.	SP37	- Noted.
	- To include related banking audit experience in an international public accountants firm of good standing be considered		- Noted. Will add “Experience of external audit on banks will also be counted as part of the minimum experience requirements.”
	- Other memberships of recognized Finance/Accounting/Auditing professional bodies such as ACA/CFA/CIMA to also be considered.		- This is already covered under (b) “(iii) Similar designation with a valid current practicing certificate.”

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<p>Appendix TC 1- Qualifications and Core competencies – Chief Financial Officer/ Head of Financial Control</p>	<p>A bank noted that the requirement in terms of qualification and experience for all the controlled position is understandable except for Head of Financial Control where requirement for experience is on the higher side specially for branch of overseas bank with one or two branch network.</p> <p>A candidate with 15 years of practical experience in a bank with 7 years in a finance function is placed at a senior position with sizeable emoluments/package.</p> <p>In case to fill-out the position of Financial Controller / Head of Finance it would be extremely difficult to find an appropriate candidate as per Module TC.</p> <p>If bank of their size in Bahrain head-hunt for a candidate it's going to be extremely difficult, firstly to convince the candidate to leave his sizeable portfolio and accept a lower portfolio, secondly monetarily he would be expensive.</p> <p>By experience they would like to mention that a chartered accountant with 5 to 7 years of firm experience can manage well finance position in a branch of a foreign bank.</p>	SP38	See SP37
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	<p>The conditionality laid down in the module seems more appropriate for locally incorporated banks rather than on branch of a foreign branch.</p> <p>The bank request to reconsider the condition laid down for finance controlling department, since it would create serious problems in case replacement is required. The two highlighted points are prudent and need serious consideration.</p>		<p>Disagree- banks should be managed by competent persons whether a local bank or a foreign branch.</p>
<p>Appendix TC 1- Demonstrating Core competencies – Head of Risk Management</p> <p>should have a minimum of 7 years of practical experience in a bank and of which at least 5 years in a risk management position.</p>	<p>A bank suggested the following:</p> <ul style="list-style-type: none"> - A minimum of 5 years' experience in Risk Management or related areas in a bank should be required. - Other memberships of recognized Finance/Accounting professional bodies such as ACA/CFA/ACCA/CIMA to also be considered. 	SP39	<ul style="list-style-type: none"> - Disagree. The individual who will be holding the RM must have an experience in a bank for 7 years minimum of which 5 years in risk management. - Noted
<p>Appendix TC 1- Demonstrating Core competencies – MLRO & DMLRO</p>	<p>A bank suggested the list of qualifications should be extended to include any professional qualifications in Legal, Management and Auditing.</p>	SP34	<p>Such position does not require such qualifications recommended by the bank. However, it is up to the bank to put it as their requirement to recruiting the MLRO/ DMLRO position. See SP29.</p>