

Module Training and Competency (TC) For Conventional Wholesale Banks

Industry Comments and Feedback

Volume 1

April 2013

| Industry Comments | | |
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| General Comments: | Ref | CBB's Response |
| A bank requested to clarify whether requirements of this module will apply going forward or do they need to demonstrate all the requirements for the existing employees in controlled functions. | GR1 | Existing employees prior to issuance of this Module are grandfathered as mentioned in the new rule TC-2.3.3 that has been added. |
| A bank agrees with the Proposed Module on Training and Competency for All Banks. They do believe that the person who handles a controlled function must have an adequate knowledge and experience in handling his daily duties and responsibilities. Moreso, he should strive more to enhance his skills and talent by attending trainings and seminars that will help him to succeed in his chosen career. | GR2 | Noted |
| A bank suggested that CBB consider excluding Non-Executive Directors from the purview of this module, given that they are typically not full-time employees of banks. | GR3 | Disagree. The rules in this Module apply to individuals occupying controlled functions and since Non-Executive Directors are controlled functions, they cannot be excluded from the purview of this Module. |
| A bank noted that for certain functions like the Compliance Officer/ Money Laundering Reporting Officer(MLRO)/Dy. MLRO , specific international professional courses have been stipulated. For an overseas Bank with just a wholesale presence in the Kingdom of | GR4 | The qualifications and experience in the appendix of the TC are rules and will be used by the CBB as a criteria in assessing |

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| <p>Bahrain, it is very difficult to find people with these qualifications from within the ranks. Moreover, in the bank's set up, people are posted into these positions for limited periods of 3-4 years. It will be a great burden on the Bank to find suitable candidates with such qualifications repetitively and the Bank will have no option but to expose more and more persons to these qualifications at substantial costs with very little long term benefits to the Bank from such training.</p> <p>The solution perhaps lies in having BIBF structure short duration cheaper courses for Control Positions in Banks that require a much lesser degree of knowledge and expertise.</p> | | <p>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> |
| <p>A bank noted that the draft regulation, upon implementation, mandates CBB to accord NOCs to fill positions having controlled functions subject to</p> <ul style="list-style-type: none">(i) Satisfactory level of competence &(ii) Professional qualifications. <p>All individuals holding controlled functions must undergo a minimum of 15 hours of Continuous Professional Development Training (CPD).</p> <p>Upon implementation, this regulation is likely to have implications on staff deputed from India. State Bank of India has a rigorous selection procedure in respect of officials deputed for Controlled Positions. Officials are selected through a process which is personally monitored by top executives of the Bank, who normally are on the Board of the Bank. Moreover, in almost all cases, officials posted to Controlled Position have a professional qualification i.e., JAIIB and/or CAIIB offered by the Indian Institute of Banking and Finance (IIBF), in addition to Bachelor's/ Master's degree. A brief about IIBF and the topics covered in the JAIIB and CAIIB were provided by the bank.</p> <p>The bank being a branch office, all activities viz. Business, Operation, Risk, Compliance, and Audit are monitored by their Corporate Centre at Mumbai. They also have a rigorous audit process, including Home Office audit.</p> | GR5 | <p>CBB does not give any NOC to the LMRA for all appointments.</p> <p>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.</p> <p>See GR4</p> |

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| <p>Normally following qualifications and experience are pre-requisite for being selected for a Controlled function for the branch:</p> <ol style="list-style-type: none">Experience of 15 years (minimum) in various areas of Banking.Bachelor/Master's degree.Professional Qualification – JAIIB / CAIIB. <p>The bank also submit that:</p> <ol style="list-style-type: none">Branch is only an extended arm of the Bank – every aspect of operations is monitored by specialized departments at Corporate Centre, Mumbai.Rigorous Audit Process is in place to bring in transparency.Off-Site surveillance by Reserve Bank of India.Sound Track Record of the branch in Bahrain for more than 35 years. <p>In view of above, they suggest that CBB provides for flexibility / exemption in the Training and Competency Module on the following parameters;</p> <ol style="list-style-type: none">The Master's Degree qualification may be reduced to Bachelor's Degree in a couple of cases where Master's Degree is being made mandatory, taking into consideration experience of the personnel.JAIIB and/or CAIIB certification obtained from IIBF may be considered as professional qualification. | | |
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| Specific Comments: | | | |
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| Reference to the draft Directive: | Comments | REF | CBB's Response |
| TC-B.1.2 Module TC, unless otherwise stated, applies in full to both retail and wholesale conventional bank licenses licensed in Bahrain. In the case of an overseas conventional bank licensee, the application of this Module is restricted to its Bahrain operations. | A bank noted that Section TC-B.1.2 states that "In the case of an overseas conventional bank licensee, the application of the Module is restricted to its Bahrain operations". They requested to confirm whether they can understand, that only relevant controlled functions need to be approved and maintained in Bahrain Branch based on bank's Bahrain operations. | SP1 | For overseas conventional bank licensees, the rules in Module TC apply to all staff occupying controlled functions responsible for Bahrain Operations in the Branch based in Bahrain as noted in Paragraph TC-B.1.2. |
| 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. | A bank enquired the following: For existing outsourcing agreements do they seek staff / service provider's profile to qualify the eligibility of the service provider? | SP2 | Existing outsourcing agreements will be grandfathered. |
| TC-B.1.6 Conventional bank licensees must satisfy the CBB that individuals performing a controlled function for it or on its behalf are suitable and competent to carry on that controlled function. | A bank noted that in point B.1.4, it is written that this module is applicable to those who are to be employed or to be appointed; however, 1.6 states that bank must satisfy the CBB individuals performing a control function are suitable and competent. It seems 1.6 is overriding point 1.4. | SP3 | Disagree. TC-B.1.4 is regarding approved persons holding controlled functions who are to be employed or to be appointed by the conventional bank licensee. However, TC-B.1.6 is regarding individuals already occupying controlled functions in the |

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| | | | bank. |
| <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 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>(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 there appears to be discrepancies between the lists of positions considered as controlled functions under ‘TC-1.1.1’ and ‘LR-1A.1.5 to LR-1A.1.16’.</p> | SP4 | 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. |
| | <p>A bank noted that as per module LR, chapter 1A, clause 1A.1.1 following were not classified as controlled function.</p> <p>a. Deputies of Chief Executive or General Manager</p> <p>b. Chief Financial Officer and/or Financial Controller</p> <p>c. Head of Risk Management</p> <p>d. Head of Internal Audit</p> <p>e. Head of Shari’a Review</p> <p>Now after classification of these positions as controlled positions, we understand that those who have been already working on these slots do not require further clearance.</p> | SP5 | See SP4 |
| <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</p> | <p>A bank noted that under section TC-1.1.13 the definition on “Heads of other Functions” seems broad hence could we request for examples of such positions.</p> | SP6 | 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 |

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| <p>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>CBB to seek clarification.</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>TC-1.2.5 A conventional bank licensee should, for a minimum period of five years, retain records of:</p> <p>(a) The annual training plan for each controlled function;</p> <p>(b) Materials used to conduct in-house training courses;</p> <p>(c) List of participants attending such in-house training courses; and</p> <p>(d) Results of evaluations conducted at the end of such training courses.</p> | <p>A bank noted that while it may be practical to retain records of certain activities for 5 years, introducing a requirement to maintain all the prescribed records (such as materials used to conduct in-house training) for a period of 5 years will result in additional administrative burden and cost on Banks.</p> | <p>SP7</p> | <p>Such records can be kept electronically to alleviate the administrative burden. Such records need to be maintained to be able to substantiate the training that has been provided.</p> |
| <p>TC-2.1.4 A conventional bank licensee must make and retain records of its recruitment procedures for a minimum period of five years. Such procedures should</p> | <p>A bank noted that while it may be practical to retain records of certain activities for 5 years, introducing a requirement to maintain all the prescribed records (such as materials used to conduct in-house training) for a period of 5 years</p> | <p>SP8</p> | <p>See SP7</p> |

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| <p>be designed to adequately take into account proof of the candidates' knowledge and skills and their previous activities and training.</p> | <p>will result in additional administrative burden and cost on Banks.</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> <p>(a) Results of the initial screening;</p> <p>(b) Results of any employment tests;</p> <p>(c) Results and details of any interviews conducted;</p> <p>(d) Background and references checks; and</p> <p>(e) Details of any professional qualifications.</p> | <p>A bank noted that while it may be practical to retain records of certain activities for 5 years, introducing a requirement to maintain all the prescribed records (such as materials used to conduct in-house training) for a period of 5 years will result in additional administrative burden and cost on Banks.</p> | <p>SP9</p> | <p>See SP7</p> |
| | <p>A bank noted that in case of conventional wholesale bank, that has branch in kingdom of Bahrain, as a matter of fact selection, assessing and appointing process for managers are done mainly in their Head Office and it's normally not recruiting but only appointing to their branch. In order to comply with proposed rules TC- 2.1.5, does CBB need their HO procedures or documentation?</p> | <p>SP10</p> | <p>The CBB is currently assessing applicants for controlled function in foreign branches, occupying positions in Bahrain.</p> |

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| <p>TC-2.1.13 A conventional bank licensee must, for a minimum period of five years, make and retain updated records of:</p> <p>(a) The criteria applied in assessing the ongoing and continuing competence; and</p> <p>(b) How and when the competence decision was arrived at.</p> <p>TC-2.2.10 A conventional bank licensee must, for a minimum period of five years, make and retain records of:</p> <p>(a) The criteria applied in assessing continuing competence;</p> <p>(b) The annual assessment of competence; and</p> <p>(c) Record of CPD hours undertaken by each approved person.</p> | <p>A bank noted that while it may be practical to retain records of certain activities for 5 years, introducing a requirement to maintain all the prescribed records (such as materials used to conduct in-house training) for a period of 5 years will result in additional administrative burden and cost on Banks.</p> | SP11 | See SP7 |
| Appendix TC-1 | <p>A bank referred to Appendix TC- 1, Qualification and Core Competencies: and suggested for Compliance Officer and MLRO positions along with qualification and competencies (Professional Memberships) for example: ICA for Compliance and ACAMS for AML, which is indirectly these memberships</p> | SP12 | Noted. See also GR 4 |

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| | keeps Compliance Officer and MLRO on continuous update and maintain their level of professionalism. | | |
| | A bank noted that the appendix appears to be a prescriptive requirement. CBB to consider making the core competencies and demonstration of competence broad guidelines for banks to apply based on the specific circumstances as may be applicable to them. | SP13 | See GR4 |
| | <p>A bank noted that in Appendix "Qualifications and Core Competencies" under section Role there is a list of heads of function which head of OPs is not among them.</p> <p>To their opinion head of operations is a critical function in the organization and of high risk acquisition therefore they suggest to show the function of Head of Ops under separate headline like the other listed heads function and clearly identify the requirements under core competencies / how can competence demonstrated.</p> <p>The same might be applicable to the head of IT.</p> | SP14 | Heads of Operations and Heads of IT fall under the definition of Heads of Other Functions and therefore there is no need to have them mentioned separately. |
| | A bank noted that the qualification and core competencies of Risk Management and compliance function outlines that person should have minimum 5 years of relevant experience in the respective fields. If the bank find it difficult in | SP15 | See GR4 |

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| | <p>getting the person with said minimum 5 years experience, Bank may be permitted to appoint such person with less experience(If otherwise competent) and give an opportunity to complete the required training/exposure after appointment.</p> | | |
| | <p>A bank also noted that the professional qualification listed for Risk Management, compliance and MLRO function should not be treated as prerequisite qualification for appointment. If a person is competent enough and having sufficient exposure/experience in respective fields, then Bank may be given an option to appoint them and encourage them to acquire the relevant qualification in respective field within a prescribed period.</p> | SP16 | See GR4 |