

# Module Training and Competency (TC) For Islamic Wholesale Banks

## Industry Comments and Feedback

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Industry Comments		
General Comments:	Ref	CBB's Response
A bank has noticed that the model does not outline qualifications and core competencies for Independent Directors which are perceived to bring in additional expertise to the bank. Moreover, the requirements listed for the Board members are high-level and general especially when compared to other controlled functions.	GR1	The Module applies to all Board members, whether independent or not. 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. Banks should also do their own due diligence and may require additional or more stringent criteria as part of their own recruitment process.
A bank noted with regards to the BOD training, in the case of a Board member who has 2 memberships in 2 different banks, does the board members have to get training from both banks which will make 30 hours of the same material, bearing in mind that Board members are always tight with time, we need the CBB guidance on this matter.	GR2	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.
A bank enquired about what will be the effect on the current approved positions once this module is made effective, will there be a need to match their qualification competencies	GR3	These individuals will be grandfathered until they change their job. See new

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to the new requirement?		Paragraph TC-2.3.3.
A bank noted that the module is fairly comprehensive; it mandates significant requirements for Continuous Professional Development Training (“CPD”) for the individuals holding the Controlled Functions within a bank.	GR4	Noted
A bank noted that the module specifically spells out the roles/positions which are considered as Controlled Functions as some were not exclusively defined in the LR Module.	GR5	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
A bank believe that the Record Keeping requirements (for a period of 5 years) relevant to each of the section – will require additional resources and result in increased cost for the banks.	GR6	Such records can be kept electronically to alleviate the administrative burden. Such records need to be maintained to be able to substantiate the training, recruitment, etc. that has been provided.

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Specific Comments:			
Reference to the draft Directive:	Comments	REF	CBB's Response
TC-A.1.3 The Rules build upon Principles 3 and 9 of the Principles of Business (see Module PB (Principles of Business)). Principle 3 (Due Skill, Care and Diligence) requires Islamic bank licensees and approved persons to observe high standards of integrity and fair dealing, and to be honest and straightforward in its dealings with clients. Principle 9 (Adequate Resources) requires Islamic bank licensees to maintain adequate human, financial and other resources sufficient to run its business in an orderly manner.	A bank suggested that TC-A.1.3 be reworded as: "The Rules build upon Principles 3 and 9 of the Principles of Business (see Module PB (Principles of Business)). Principle 3 (Due Skill, Care and Diligence) requires Islamic bank licensees and approved persons to <del>observe high standards of integrity and fair dealing, and to be honest and straightforward in its dealings with clients</del> <u>act with due skill, care and diligence</u> . Principle 9 (Adequate Resources) requires Islamic bank licensees to maintain adequate human, financial and other resources sufficient to run <del>its</del> <u>their</u> business in an orderly manner."	SP1	Noted
	A bank enquired: Is it Approved Persons or Controlled Functions?	SP2	Approved Persons are individuals occupying controlled functions. Both these are defined terms used extensively throughout the Rulebook and found in the Glossary of each Rulebook.
TC-A.1.4 Condition 4 of the Central Bank of Bahrain's ('CBB') Licensing Conditions (Chapter LR-2.4) and Chapter LR-1A (Approved Persons) of Module LR impose further requirements. To satisfy Condition 4 of the CBB's	A bank noted that the CBB needs to replace all the old definitions across Volume 2 to avoid confusion.	SP3	See SP2.

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<p>Licensing Conditions, an Islamic bank licensee’s staff, taken together, must collectively provide a sufficient range of skills and experience to manage the affairs of the licensee in a sound and prudent manner (LR-2.4). This condition specifies that Islamic bank licensees must ensure their employees meet any training and competency requirements specified by the CBB. Chapter LR-1A (Approved Persons) of Module LR sets forth the ‘fit and proper’ requirements in relation to competence, experience and expertise required by approved persons; this Chapter specifies various factors that the CBB takes into account when reaching such a decision.</p>			
<p>TC-B.1.4 The requirements of this Module apply to approved persons holding controlled functions who are to be employed or to be appointed by the Islamic bank licensee in connection with the Islamic bank licensee’s regulated banking</p>	<p>A bank suggested that TC-B.1.4 be reworded as: “The requirements of this Module apply to approved persons holding controlled functions who are <u>or are</u> to be employed <del>or to be appointed</del> by the Islamic bank licensee in connection with the Islamic bank licensee’s regulated banking services, <del>or</del> under a contract of service.”</p>	<p>SP4</p>	<p>Disagree. Controlled Functions include Board members, who are appointed and not employed. We should keep the word “or” since we are referring to an employment contract or an outsourcing agreement by saying “contract of service”.</p>

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<p>services, or under a contract of service.</p>			
<p>TC-1.1.1 Individuals occupying controlled functions (refer to Paragraphs LR-1A.1.5 to 1A.1.16) in an Islamic bank licensee must be qualified and suitably experienced for their specific roles and responsibilities. The controlled functions are those of:</p> <ul style="list-style-type: none"> <li>(a) Board Member;</li> <li>(b) Chief Executive or General Manager and their Deputies;</li> <li>(c) Chief Financial Officer and/or Financial Controller</li> <li>(d) Head of Risk Management;</li> <li>(e) Head of Internal Audit;</li> <li>(f) Head of Shari’a Review;</li> <li>(g) Compliance Officer;</li> </ul>	<p>A bank suggested that TC-1.1.1 be reworded as: “Individuals occupying controlled functions (refer to Paragraphs LR-1A.1.5 to 1A.1.162 and HC-6.2.1) in an Islamic bank licensee must be qualified and suitably experienced for their specific roles and responsibilities. The controlled functions are those of: (a) <del>Board Member</del><u>Director</u>; (b) Chief Executive or General Manager <del>and their Deputies</del>; (c) Chief Financial Officer <del>and/or Financial Controller</del>; (d) <del>Head of Risk Management</del>; (e) <del>Head of Internal Audit</del>; (f) <del>Head Member</del> of Shari’a <del>Review</del><u>Supervisory Board</u>; (g) Compliance Officer; (h) Money Laundering Reporting Officer; (i) Deputy Money Laundering Reporting Officer; (j) <del>Senior Manager</del> and (k) <del>Heads of other Functions</del><u>Financial Instruments Trader</u>.”</p>	<p>SP5</p>	<p>Disagree. See GR5. Since we are referring to individuals occupying controlled functions, we cannot refer to the whole section LR-1A.1 “CBB Notification and Approval”. We should only refer to Paragraphs LR-1A.1.5 to 1A.1.16), which define the controlled functions. In addition, HC-6.2.1 only refers to senior management and not all controlled functions.</p>

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<p>(h) Money Laundering Reporting Officer;          (i) Deputy Money Laundering Reporting Officer; and          (j) Heads of other Functions.</p>	<p>Given the suggestion to add Financial Instruments Trader, a rule needs to be added for the Financial Instruments Trader under TC-1.1 following the suggested rule TC-1.1.13.  <b>Footnote on TC-1.1:</b> It may be that the designations of ‘controlled functions’ will be subject to change, as the covering letter describing the consultation says that upon the issuance of the new Module TC the controlled functions in Module LR will be amended to be in line with TC. Many of the amendments made to TC-1 below relate to controlled functions as currently described in LR.</p>		<p>Financial Instruments Trader can be considered as under Heads of other Functions, depending on the level of the position. When in doubt, the bank should discuss with the CBB to establish whether the position falls under the definition of controlled functions.</p>
	<p>A bank noted that the list of the controlled functions varies slightly from the list outlined in the LR module. This might cause misunderstanding by the banks. For instance the Head of Shari’a review is not mentioned in the LR and the Financial Instrument Trader is mentioned in the LR but not in the TC.</p>	<p>SP6</p>	<p>See GR5</p>
	<p>A bank noted regarding TC-1.1.1 (j) that they feel that this section is very broad and needs to be clarified further. Like does the “head of other functions” mean all the functions including for example the Head of IT, or the Head of Admin?</p>	<p>SP7</p>	<p>The definition is very clear. Heads of IT and Admin. Do not fall under Heads of other Functions. 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.</p>

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			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’.
	A bank enquired: What about Board/Corporate/Company Secretary? Shariah Supervisory Board Members and Clients Complaints Officers?	SP8	Board secretary is not considered nor Shari’a Supervisory Board members or clients complaints officer a controlled function.
	A bank regarding TC-1.1.1(j), Who are these? The CBB needs to define this and not leave it to the Banks to decide if this should be (e.g. Head of I.T., Head of Treasury, Head of Human Resources and Head of Placements).	SP9	See SP7
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 suggested that TC-1.1.3 be reworded as: “Competence is assessed <del>by the CBB</del> 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.  <b>Footnote on suggested deletion:</b> The assessment is by the licensee (see TC-2.1.6), not the CBB. The CBB approves (or not) the application.	SP10	Disagree. This paragraph explains how the CBB assesses competence on the basis of what is mentioned in Appendix TC-1 when approving an individual occupying a controlled function. The licensee must of course take into account the experience and qualifications requirements in Appendix TC-1 when employing or appointing an individual to a controlled function.

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<p><b>Board Member</b></p> <p>TC-1.1.4 Board members collectively are responsible for the business performance and strategy of the Islamic bank licensee, as outlined in more details in Section HC-1.2.</p>	<p>A bank suggested that TC-1.1.4 be reworded as:  <b>“Board Member Director</b>  TC-1.1.4 <del>Board members</del> <b>Directors</b> collectively are responsible for the business performance and strategy of the Islamic bank licensee, as outlined in more details in Section HC-1.2.”</p>	<p>SP11</p>	<p>Disagree. Board Member will eventually replace Director in the CBB Rulebook once Module TC is issued.</p>
<p><b>Chief Executive or General Manager</b></p> <p>TC-1.1.6 The chief executive or general manager and their deputies (as appropriate) are responsible for the executive management and performance of the Islamic bank licensee within the framework or delegated authorities set by the Board. The scope of authority of the CEO and deputies is outlined in more detail in Paragraph HC-6.3.2 (a).</p>	<p>A bank suggested that TC-1.1.6 be reworded as:  <b>“Chief Executive or General Manager</b>  TC-1.1.6 The chief executive or general manager <del>and their deputies (as appropriate)</del> are responsible for the executive management and performance of the Islamic bank licensee within the framework or delegated authorities set by the Board. The scope of authority of the CEO <del>and deputies</del> is outlined in more detail in Paragraph HC-6.3.2 (a).</p>	<p>SP12</p>	<p>Disagree. Deputies of CEO/ General Manager are controlled functions and must be included in the rule.</p>
<p><b>Chief Financial Officer/ Head of Financial Control</b></p> <p>TC-1.1.7 The chief financial officer/head of financial control is responsible for directing the bank’s financial function, including</p>	<p>A bank suggested that TC-1.1.7 be reworded as:  <b>“Chief Financial Officer/ Head of Financial Control</b>  TC-1.1.7 The chief financial officer <del>head of financial control</del> is responsible for directing the bank’s financial function, including ensuring that the relevant accounting treatment is applied to all</p>	<p>SP13</p>	<p>Disagree. Head of Financial Control is also a controlled function. Some banks only have a Head of Financial Control, who carries out the CFO’s responsibilities.</p>



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<p>ensuring that the relevant accounting treatment is applied to all of the activities of the bank in a timely manner. The scope of authority of the CFO/ Head of Financial Control is outlined in more detail in Paragraph HC-6.3.2 (b).</p>	<p>of the activities of the bank in a timely manner. The scope of authority of the CFO/<del>Head of Financial Control</del> is outlined in more detail in Paragraph HC-6.3.2 (b).”</p>		
<p><b>Head of Risk Management</b></p> <p>TC-1.1.8 Heads of risk management are responsible for the management and control of all risk exposures arising from the activities of the Islamic bank licensee.</p>	<p>A bank suggested that TC-1.1.8 be deleted.</p> <p><b>Footnote on suggested deletion:</b> There is a significant distinction to be made between a Chief Risk Officer and the subordinate position of Head of Risk Management - the roles are very different.</p>	<p>SP14</p>	<p>Disagree. Head of Risk Management must not be deleted since it is a controlled function.</p> <p>Chief Risk Officer position has been added and the requirements are the same as those for the Head of Risk Management. Some banks only have a Head of Risk Management, who carries out the CRO’s responsibilities.</p>
<p><b>Head of Internal Audit</b></p> <p>TC-1.1.9 Heads of internal audit are responsible for providing independent and objective assurance on the adequacy and effectiveness of the holistic internal control environment within the Islamic bank licensee. The duties of the head of internal audit are</p>	<p>A bank suggested that TC-1.1.9 be reworded as:  <b>“Head of Internal Audit</b>  TC-1.1.9 Heads of internal audit are responsible for providing independent and objective <del>assurance</del> <del>on review</del> <del>of</del> the <del>adequacy</del> <del>and</del> <del>effectiveness</del> <del>efficiency</del> of the <del>holistic internal control environment within the</del> Islamic bank licensee’s <u>operations</u>. The duties of the head of internal audit are outlined in more detail in Paragraph HC-6.3.2 (d).”</p>	<p>SP15</p>	<p>Only agree with the word “review” to replace “assurance”. Disagree with the other suggested amendments.</p>

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<p>outlined in more detail in Paragraph HC-6.3.2 (d).</p>			
<p><b>Head of Shari’a Review</b></p> <p>TC-1.1.10 Heads of Shari’a review in an Islamic bank licensee, , are responsible for the examination and evaluation of the adequacy and effectiveness of the Islamic bank licensee’s system of internal Shari’a control and the quality of performance in carrying out assigned responsibilities.</p>	<p>A bank suggested that TC-1.1.10 be reworded as: <b>“<u>Head Member of Shari’a Review Supervisory Board</u>”</b>  <del>TC-1.1.10 Heads of Shari’a review in an Islamic bank licensee, , are responsible for the examination and evaluation of the adequacy and effectiveness of the Islamic bank licensee’s system of internal Shari’a control and the quality of performance in carrying out assigned responsibilities[See HC-9.2.1].”</del></p>	<p>SP16</p>	<p>Disagree. Member of Shari’a Supervisory Board is very difficult to be assessed by the licensee and the CBB and therefore has not been included in the list of controlled functions. The Head of Shari’a Review is therefore included, which is at least easier to be assessed based on qualifications and experience rather than assessing Shari’a Scholars.</p>
<p><b>Compliance Officer</b></p> <p>TC-1.1.11 In accordance with Paragraph LR-1A.1.12, an employee of appropriate standing must be designated by the Islamic bank licensee for the position of compliance officer. The duties of the compliance officer, include:          (a) Having responsibility for oversight of the Islamic bank licensee’s compliance with the requirements of the CBB and other applicable laws and regulations;</p>	<p>A bank suggested that TC-1.1.11 be reworded as: <b>“<u>Compliance Officer</u>”</b>  <del>TC-1.1.11 In accordance with Paragraph LR-1A.1.12, an employee of appropriate standing must be designated by the Islamic bank licensee for the position of compliance officer. The duties of the compliance officer, include: (a) Having responsibility for oversight of the Islamic bank licensee’s compliance with the requirements of the CBB and other applicable laws and regulations; (b) Raising awareness and providing training for the Islamic bank licensee’s staff on compliance issues; and (c) Reporting to the Islamic bank licensee’s Board in respect of that</del></p>	<p>SP17</p>	<p>Module HC will eventually be amended to be in line with the duties of the Compliance Function in Module TC.</p>

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<p>(b) Raising awareness and providing training for the Islamic bank licensee’s staff on compliance issues; and</p> <p>(c) Reporting to the Islamic bank licensee’s Board in respect of that responsibility.</p>	<p><del>responsibility</del>function are set out in HC-6.4.”</p> <p><b>Footnote to suggested amendment:</b> HC-2.2.1 makes the board (not the compliance function) responsible for overseeing compliance with the laws, regulations and codes of best practice that directly affect the conduct of business (e.g. the Bahraini Stock Exchange Law, the Labour Law, the Commercial Companies Law, occupational health and safety, environment and pollution laws, the CBB Law and the codes of conduct and regulations of the CBB).</p>		
<p><b>Heads of other Functions</b></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</p>	<p>A bank suggested that TC-1.1.13 be reworded as: <b>“<u>Heads of other Functions Senior Manager</u></b>  <del>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 Islamic bank licensee</del>  <u>The attributes and responsibilities of senior managers are described more fully in Paragraphs LR-1A.1.8 and LR-1A.1.9.”</u></p>	<p>SP18</p>	<p>Disagree. Heads of other Functions will eventually replace Senior Manager in the CBB Rulebook once Module TC is issued.</p>

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the Islamic bank licensee.			
<p><b>CPD</b></p> <p>TC-1.2.1 All individuals holding controlled functions in an Islamic bank licensee must undergo a minimum of 15 hours of CPD per annum.</p>	A bank suggested that we delete the sub-heading “CPD”.	SP19	Disagree. Subheading is there for clarification purposes.
	A bank also noted with regards to individuals holding controlled functions, that In Vol. 4, it’s just the compliance officer and MLRO/Deputy MLRO.	SP20	Requirements for Volume 4 will be reviewed in the future.
	A bank also inquired what will constitute an acceptable credit for CPD? Most professional programs specify this (for example, reading an article in an approved professional magazine should qualify).	SP21	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. It is up to the licensee to decide on the acceptable type of training for each position.  TC-2.2.4 also clearly mentions that Approved persons may choose to fulfil their CPD requirements by attending courses, workshops, conferences and seminars at local or foreign training institutions.
	A bank noted that under Continuous Professional Development Training (CPD) 15 hours CPD per annum seems to be excessive especially when the majority of Control positions are very senior with full working time schedule throughout the year giving the current challenging market conditions	SP22	Disagree. 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. Banks should arrange presentations for the Board members.

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	not to forget the cost element that would be associated with the suggested number of CPD hours per annum. It is however recommended, that the period is reduced to 8 hours of CPD per annum.		
	A bank noted that this is not practical for Board and CEO levels. The bank suggests 8 hours for them.	SP23	See SP22
TC-1.2.3 The level of supervision should be proportionate to the level of competence demonstrated by the approved person. Supervision will include, as appropriate: (a) Reviewing and assessing work on a regular basis; and (b) Coaching and assessing performance against the competencies necessary for the role.	A bank suggested that TC-1.2.3 be reworded as: “The level of <del>supervision</del> <u>review and assessment</u> should be proportionate to the level of competence demonstrated by the approved person. Supervision will include, as appropriate: (a) Reviewing and assessing work on a regular basis; and (b) Coaching and assessing performance against the competencies necessary for the role.”	SP24	Disagree. Review and assessment is part of supervision.
	A bank enquired: What about Board Members? Who is this supervisor? The Shareholders??	SP25	The shareholders are responsible for the supervision of the Board members.
TC-2.1.1 If an Islamic 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 written approval of the CBB for that person to occupy the desired position. In its application, the Islamic bank	A bank suggested that TC-2.1.1 be reworded as: “If an Islamic 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 written approval of the CBB for that person to occupy the desired position. In <del>its</del> <u>the</u> application, the <del>Islamic bank licensee</del> <u>applicant</u> must demonstrate to the CBB that <del>full considerations</del> <u>he</u> has <del>been given to</del> the	SP26	Disagree with the suggested amendments. The licensee itself should do some due diligence to ensure that the applicant fulfills the minimum qualification and experience before submitting the application to the CBB. It is not the applicant responsibility to assess himself.

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<p>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>qualifications and core competencies for <del>the</del> controlled functions in Appendix TC-1. (See Article 65(b) of the CBB Law and Paragraph LR-2.3.1.3).”</p> <p><b>Footnote notes that:</b> At the moment, appointment of a financial instruments trader requires post-fact approval.</p>		
	<p>A bank noted that it is not clear whether the approval is needed before signing the contract of employment or after. It contradicts with the draft resolution.</p>	SP27	<p>Approval is needed before signing the contract of employment and this also mentioned in the regulation.</p>
<p>TC-2.1.2 Islamic bank licensees should refer to Module LR (Licensing Requirements) providing detailed requirements on the appointment of individuals occupying controlled functions (approved persons).</p>	<p>A bank suggested that TC-2.1.2 be reworded as: “Islamic bank licensees should refer to Module LR (Licensing Requirements) providing detailed requirements on the appointment of individuals to controlled functions (approved persons).”</p>	SP28	<p>Disagree. Wording is clear.</p>
<p>TC-2.1.5 In addition to recruitment procedures in TC-2.1.4, the Islamic 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</p>	<p>A bank suggested that TC-2.1.5 be reworded as: “In addition to recruitment procedures in TC-2.1.4, the Islamic bank licensee must retain the recruitment records of <del>controlled functions</del> <u>approved persons</u> for a minimum period of five years following termination of their services or employment with the bank. Such records must include, <del>but are not limited to, the following:</del> (a) Results of the initial screening; (b)</p>	SP29	<p>Agree to replace ‘controlled functions’ with ‘approved persons’ as the recruitment records pertain to the approved person – not the function occupied.</p> <p>Disagree with deleting “but are not limited to” since there might be other record that the CBB might require licensees to retain other than the records mentioned in this</p>

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<p>limited to, the following:</p> <ul style="list-style-type: none"> <li>(a) Results of the initial screening;</li> <li>(b) Results of any employment tests;</li> <li>(c) Results and details of any interviews conducted;</li> <li>(d) Background and references checks; and</li> <li>(e) Details of any professional qualifications.</li> </ul>	<p>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> <p><b>Footnote on suggested amendment:</b> Retaining “but are not limited to” would effectively render the requirement impossible to comply with.</p>		<p>rule.</p>
<p>TC-2.1.7 In the case of new personnel, the Islamic 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 Islamic bank licensee’s responsibility to ensure that such arrangements are in place and working successfully.</p> <p>TC-2.1.8 In determining an individual’s competence, Islamic bank licensees may assess if the</p>	<p>A bank noted that this contradicts the requirement of Competency and Skills. How will the CBB approve this person as an Approved Person if he/she does not have the Competence needed?</p>	<p>SP30</p>	<p>TC-2.1.7 has been deleted.</p>

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<p>person is fit and proper in accordance with Chapter LR-1A.</p> <p>TC-2.1.9 Islamic 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>TC-2.1.10 The assessment of competence will be dependent on the nature and the level of complexity of the controlled 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 Islamic bank licensee.</p>	<p>A bank enquired:  How can we assess this? Are we required to have this as a reference letter from the previous bank?</p>	<p>SP31</p>	<p>This is a guidance. Other means can be used to assess competency.</p>
<p>TC-2.1.12 A bank should use methods of assessment that are appropriate to the controlled function and to the individual's role.</p>	<p>A bank suggested to replace "A bank" with "An Islamic bank licensee".</p>	<p>SP32</p>	<p>Noted</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 2 (Islamic Banks) Rulebook, in areas relevant to each controlled function.</p>	<p>A bank enquired:  Does this mean or include the quarterly Compliance updates to the Board and Senior Management?</p>	<p>SP33</p>	<p>These are the quarterly updates to the CBB Rulebook Volume 2 Modules that are posted on the website every quarter, which include amendments and changes.</p>
<p>Sections TC-2.2 (Training and Maintaining Competence) and TC-2.3 (Transitional Period)</p>	<p>A bank enquired:  Is this the same as CPD? Are the two different? It is confusing!</p>	<p>SP34</p>	<p>TC-2.2 talks about the training plan and maintaining competence. TC-2.3 talks about the time the requirements of the Module as a whole is effective.</p>
<p>TC-2.3.2 New applications for approved persons are subject to the requirements of this Module.</p>	<p>A bank suggested that it should be deleted.  <b>Footnote notes that:</b> This would be covered by TC-2.3.1.</p>	<p>SP35</p>	<p>Disagree. TC-2.3.1 does not mention new applications. It talks about the requirements of the Module. In addition, new Paragraph TC-2.3.3 outlines application for approved persons occupying controlled functions when Module TC is issued.</p>
<p>TC-2.3.3 In instances, where an approved person in one conventional bank licensee moves to another conventional bank licensee and occupies the same function, the CBB will exercise its discretion on whether to</p>	<p>A bank suggested that it should be deleted.  <b>Footnote notes that:</b> This is already covered in LR-1A.1.23 / 24.</p>	<p>SP36</p>	<p>Disagree. LR-1A.23/24 specifically talks about notifying the CBB in case of any transfer to another function. TC-2.3.3 talks about the grandfathering criteria by the CBB in instances where an approved person in one conventional bank licensee moves to another conventional bank</p>

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<p>grandfather such approved person from the required qualifications and competencies outlined in Appendix TC-1 into the new conventional bank licensee. The grandfathering criteria used by the CBB will include a comparison of the scope and size of both positions. This will also apply in instances where an approved person in one conventional bank licensee moves from one department to another within the same conventional bank licensee.</p>			<p>licensee and occupies the same function.</p>
<p>Appendix TC-1</p>	<p>A bank suggested that Board Member - How competence can be demonstrated should be read as follows:</p> <p>Competence is demonstrated by:</p> <p>(a) (i) Holding a <u>relevant professional qualification or a Bachelor's Degree</u>; and (ii) A minimum experience of 7 years in business and/or government of which at least 4 years at a senior management level; OR</p> <p>(b) A minimum experience of 10 years in business.</p>	<p>SP37</p>	<p>Disagree. A bachelor degree is the minimum in any relevant field.</p>
	<p>A bank suggested that “and their Deputies” in Chief Executive or General Manager and their Deputies – Core Competencies, should be deleted</p>	<p>SP38</p>	<p>See SP12</p>

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	<p>and core competencies be read as follows:</p> <p>The Chief Executive or General Manager <del>and their Deputies</del> should have:</p> <p>(a) A clear understanding of the role and responsibilities associated with this position;</p> <p>(b) a good understanding of banking business and the wider industry and its regulatory environment; <del>together with</del></p> <p>(c) relevant experience and qualifications associated with such executive responsibilities; and</p> <p>(d) the necessary professional and leadership capabilities which qualify him for this position.</p>		
	<p>A bank suggested that Chief Executive or General Manager and their Deputies – How competence can be demonstrated should be read as follows:</p> <p>This person should have a minimum experience of <del>10</del>20 years in the banking sector of which at least <del>7</del>10 years at a senior management level in an Islamic bank. He/ she should: <del>(a) H</del>hold a relevant academic/professional qualification, preferably MBA, Masters in finance/accounting/economics or masters in any other subject, or preferably other qualification related to banking, accounting or finance.</p>	SP39	<p>Disagree. 20 years is too long and there could be in the market candidates with 10 years of experience in the banking sector and qualifications that make them eligible for such position.</p> <p>To increase it to 15 years of experience in the <del>–</del>banking sector of which at least 7 years at a senior management level in an Islamic bank.</p>
	<p>A bank suggested that Chief Financial Officer/ Head of Financial Control – Core Competencies</p>	SP40	<p>Agreed.</p>

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	<p>should be read as follows:</p> <p>The Chief Financial Officer/ Head of Financial Control should have:</p> <p>(a) A clear understanding of the role and responsibilities associated with the position; <del>and</del></p> <p>(b) A good understanding of banking business and the wider industry and its regulatory environment; <del>and / together with</del></p> <p>(c) The relevant experience and qualifications to fulfil his responsibilities; <del>and</del></p> <p>(d) A good knowledge and understanding of international accounting standards and how they are applied in a business context, including IFRS, and where appropriate AAOIFI.</p>		
	<p>A bank suggested that Chief Financial Officer/ Head of Financial Control – How competence can be demonstrated should be read as follows:</p> <p>The Chief Financial Officer/ Head of Financial Control 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.</p> <p><b>Footnote notes that:</b> 15 years is more than the CEO, which seems anomalous.</p>	SP41	<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&amp;E requirements in the appendix.</p> <p>Has been reduced to 10 years of practical experience of which at least 7 years in a finance function of a bank.</p>
	He/she should:		Disagree. The academic qualification comes before the professional

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	<p>(a) Hold a relevant academic/professional qualification, preferably MBA, Masters in finance/accounting/economics or masters in any other subject, or preferably other qualification related to banking, accounting or finance; and</p> <p>(b) Have or work towards having other relevant certification(s) specific to this role. Such certifications may include but are not limited to:          (i) The Association of Chartered Certified Accountants (ACCA); or (ii) Certified Public Accountant (CPA); or (iii) Similar designation with a valid current practicing certificate.</p> <p><b>Footnote notes that:</b> This should be reversed - i.e. (a) must have an accounting qualification and (b) could be working towards an MBA. Furthermore, not all MBAs are equal - a list of accredited providers would be highly desirable.</p>		<p>qualification.</p> <p>The CBB will not publish a list of accredited providers.</p>
	<p>A bank noted on Chief Financial Officer/ Head of Financial Control – How competence can be demonstrated that regarding the minimum practical banking experience of 15 years to be applied for the Head of Financial Control, the bank believes this requirement should be amended to be in line with other controlled functions addressed in the proposed module.</p>	<p>SP42</p>	<p>See SP41</p>
	<p>A bank noted on Chief Financial Officer/ Head of Financial Control – How competence can be</p>	<p>SP43</p>	<p>The qualifications and experience in the appendix of the TC are rules and will be</p>

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	<p>demonstrated that under Qualifications and Core Competencies (Appendix TC-1) – Chief Financial Officer/Head of Financial Control, a suggestion to add the (Institute of Chartered Accountants).</p>		<p>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&amp;E requirements in the appendix.</p> <p>This can be covered under (b) (iii) Similar designation with a valid current practicing certificate.</p>
	<p>A bank noted on Chief Financial Officer/ Head of Financial Control – How competence can be demonstrated that the requirement to have minimum of 15 years of practical experience in a bank and of which at least 7 years in a finance function of a bank, doesn't seem to be effective.</p>	SP44	See SP41
	<p>Candidates having association with Big-4 firms do possess the required expertise, skills and knowledge. Hence, if such restrictions is mandated i.e., to hold minimum of 15 years of "banking experience", it will be difficult for the banks to appoint the right candidates (resources) which do in fact possess the right skills &amp; knowledge gained while being associated with a Big-4 firm.</p>		Requirement has been extended to experience of external audit on banks to be counted as part of the minimum experience requirements.
	<p>A bank suggested that Head of Risk Management – Core Competencies should be read as follows:</p>	SP45	Agreed.

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	<p>The Head of Risk Management should have:</p> <p>(<del>ea</del>) A clear understanding of the role and responsibilities associated with the position; <del>and</del></p> <p>(<del>fb</del>) A good understanding of banking business and the wider industry and its regulatory environment; and <del>/together with</del></p> <p>(<del>gc</del>) The relevant experience and qualifications to fulfill his responsibilities.</p>		
	<p>A bank suggested that Head of Risk Management – How competence can be demonstrated should be read as follows:</p> <p>The Head of Risk Management 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. He/she should:</p> <p>(a) Hold a degree from a university at bachelor level or higher or a relevant professional qualification; and (b) Have or work towards having other relevant certification(s) specific to this role. Such certifications may include but are not limited to: [<del>i</del>] Institute of Risk Management qualifications (IRM); or (<del>vii</del>) Financial Risk Manager (FRM); or (<del>viii</del>) Professional Risk Manager (PRM); or (<del>ix</del>) Associate Professional Risk Manager (APRM); or (<del>x</del>) Other qualifications such as Certified Public Accountant (CPA), Certified Information Systems Auditor (CISA) and Certified Internal Auditor (CIA) that are not directly related to risk management but</p>	SP46	Amendments noted.

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	<p>may assist in providing the Head of Risk Management with an appreciation of the control culture which is required in a bank].<sup>1</sup></p>		
	<p><b>Footnote notes that:</b> The leading global risk qualifications are PRM and FRM. IRM is not in the same league. Also, the APRM cannot be equated with the PRM: the APRM is designed as the first leg of entry level risk professionals and staff from other areas who need to have some understanding of risk; the PRM is specifically designed for the risk professional who intends to become Head of Risk / CRO. Finally, there is no reference to the CFA. This would be preferable to an accounting qualification as an acceptable minimum.</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&amp;E requirements in the appendix.</p>
	<p>A bank suggested that Head of Internal Audit–Core Competencies should be read as follows:</p> <p>The Head of Internal Audit should have:</p> <p>(a) A clear understanding of the role and responsibilities associated with the Internal Audit function;</p> <p>(b) A good understanding of the licensee’s business, the wider industry and its regulatory environment; and <del>together with</del></p> <p>(c) The relevant accounting and auditing</p>	SP47	Agreed.



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	<p>experience and qualifications to fulfill his responsibilities.</p>		
	<p>A bank suggested for Head of Internal Audit – How competence can be demonstrated that under Qualifications and Core Competencies (Appendix TC-1) – Head of Internal Audit, it should be read as follows: (The Head of Internal audit should have a minimum experience of 7 years in a bank <b>or a reputable international audit firm</b> of which at least 5 years of that experience should have been in an internal/<b>external</b> audit role. He/She should).</p>	<p>SP48</p>	<p>Disagree. Head of Internal Audit must be a qualified Internal Auditor and not an External Auditor.</p>
	<p>A bank noted on Head of Internal audit – How competence can be demonstrated that the requirement to have minimum experience of 7 years in a bank of which at least 5 years of that experience should have been in an internal audit role - doesn't seem to be effective.</p> <p>Candidates having association with Big-4 firms do possess the required expertise, skills and knowledge. Hence, if such restrictions is mandated i.e., to hold minimum of 7 years of "banking experience", it will be difficult for the banks to appoint the right candidates (resources) which do in fact possess the right skills &amp; knowledge gained during their association with a Big-4 firm.</p>	<p>SP49</p>	<p>Disagree. Head of Internal Audit must be a qualified Internal Auditor and not an External Auditor.</p>

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	<p>Also, mandating University degree (e.g., Bachelors) will also create hindrance, as many individuals who are currently heading the Internal Audit function do not hold a Bachelor's degree as most of them are qualified 'Chartered Accountants' who do not holds a Bachelor's degree.</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&amp;E requirements in the appendix.</p>
<p> </p> <p> </p>	<p>A bank suggested that Head of Shari'a Review– Core Competencies in Appendix TC-1 should be read as follows:</p> <p>A Head of Shari'a Review should:</p> <p>(a) Have appropriate level of knowledge in Islamic Finance and Shari'a principles; <del>and should</del> <u>(b) h</u>Have a good understanding of the banking industry and possess good knowledge of economics and finance; <del>and</del> <u>(bc) S</u>hould <del>u</del>Understand how to interpret financial statements.</p>	<p>SP50</p>	<p>Agreed.</p>
	<p>A bank suggested that Head of Shari'a Review – How competence can be demonstrated in Appendix TC-1 should be read as follows:</p> <p>The Head of Shari'a Review should have a minimum of 5 years relevant experience in a bank or financial institution dealing with Islamic products and services. He/she should:</p> <p>(a) Hold a bachelor's degree in Shari'a, which includes study in Usul Fiqh (the origin of Islamic</p>	<p>SP51</p>	<p>Agreed.</p>

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	<p>law) and/or Fiqh Muamalat (—Islamic jurisprudence) or;                  (b) Hold a university degree in banking and finance together with a qualification in sShari’a review.</p>		
	<p>A bank suggested that MLRO/DMLRO– Core Competencies should be read as follows:</p> <p>The MLRO and DMLRO should:</p> <p>(a) Understand the business of the bank and how the Anti Money Laundering framework applies to it; <del>and</del></p> <p>(b) Demonstrate independence from bank staff who deal directly with customers-; <del>and</del></p> <p>(c) <u>Have a thorough knowledge of the financial industry and be familiar with relevant international standards and applicable domestic regulatory requirements.</u></p>	SP52	Agreed.
	<p>A bank suggested that MLRO/DMLRO – How competence can be demonstrated should be read as follows:</p> <p>An MLRO should have a minimum experience of 5 of years in the banking industry of which at least 3 years of experience in anti-money laundering or anti-money laundering related role. The DMLRO should have a minimum of 2 years’ experience in the banking industry of which at least 1 year experience in an anti-money laundering or anti-</p>	SP53	This part has been reworded.

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	<p>money laundering related role. The MLRO/DMLRO should:</p> <p>(a) Hold a degree from a university at bachelor level or higher or a relevant professional qualification; and</p> <p>(b) Have or work towards having other relevant certification(s) specific to this role. Such certifications may include but are not limited to:</p> <p>(i) Certified Anti-Money Laundering Specialist Examination (ACAMS) upon appointment/joining or within a maximum of 6 months from appointment; or other relevant MLRO programmes; and/ or (ii) Diploma in Anti-Money Laundering offered by the International Compliance Association; and/ or (iii) International Diploma in Financial Crime Prevention offered by International Compliance Association; and/or (iv) International Advanced Certificate in Compliance and Financial Crime offered by the International Compliance Association.</p>		
	<p>A bank suggested that Heads of Other Functions– Core Competencies should be read as follows:</p> <p>Heads of Other Functions should have:</p> <p>(a) A clear understanding of the role and responsibilities associated with the function;</p> <p>(b) A good understanding of banking business and the wider industry and its regulatory environment; <del>together with</del> and</p> <p>(c) The relevant experience and qualifications to</p>	SP54	Agreed.

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	fulfill his responsibilities.		
	<p>A bank suggested that Heads of Other Functions – How competence can be demonstrated should be read as follows:</p> <p>A senior manager responsible for a specialist function should have a minimum experience of 7 years in the banking/financial industry <del>and</del> of which at least 5 years of experience in the same function that he/<u>she</u> will be heading. He/ she should:</p> <p>(a) Hold a relevant academic/professional qualification, preferably MBA, Masters in finance/accounting/economics or masters in any other subject, and preferably other qualification related to banking/accounting-; and</p> <p>(b) Have or work towards having other relevant certification(s) specific to this role. Such certifications may, depending on the function being fulfilled, include but are not limited to: (i) Certificate in Securities; (ii) Certificate in Securities and Financial Derivatives; (iii) Certificate in Investment Management; (iv) Professional Certification in Accounting; and/or (v) Equivalent certificates or qualifications; and/or (vi) Advanced Diploma in Banking/ Islamic Finance from the BIBF or other institutions.</p>	SP55	Agreed.
	A bank enquired on Qualifications and Competencies – Heads of Other Functions:	SP56	Senior Manager will be removed from LR once Module TC is issued, the list of

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	Is the definition of a Senior Manager the same as before or is it different? Is it Senior Manager or Executive or Head of Function?		controlled functions under Module LR (Licensing Requirements) will be amended to make them consistent.
	A bank suggests adding the Certification of the Institute of Chartered Accountants which has a wide presence in various regions such as England, India and Pakistan.	SP57	This can be included in (iv) "Professional Certification in Accounting" mentioned in the relevant certifications in Appendix TC-1.
	A bank noted that the Qualifications and core competencies outlined in Appendix TC-1 are considered extensive and do not take into account the varying sizes of Financial Institutions in Bahrain. The bank believes that enforcing such minimum requirement would result in high personnel expenses for smaller institutions.	SP58	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 under Qualifications and Core Competencies (Appendix TC-1) the years of experience required in all control positions except for Board Members must be in a Banking sector. This eventually may limit the ability to recruit into those positions especially when there are very highly regarded candidates holding the same required qualifications and professional certifications with years of experience in different sectors.	SP59	See SP58