

**Draft Resolution with respect to the conditions and Procedures for Obtaining Approval for Controlled Functions (Conventional Retail Banks)**

**Industry Comments and Feedback**

**Volume 1**

**April 2013**

<b>Industry Comments</b>		
<b>General Comments:</b>	<b>Ref</b>	<b>CBB's Response</b>
<p><b>A bank</b> stated that they agree with the principle that appointments to Controlled Functions need to be approved by the CBB and that such decisions be based on the qualifications, experience and track-record of the candidate. The contents of the draft Resolution are therefore supported.</p>	GR1	Noted
<p><b>A bank</b> stated that they are supportive of the Central Bank's move to implement the conditions and procedures for obtaining approval for members of Board of Directors of licensees, persons holding executive positions, and certain officers of CBB licensees and to determine the standard levels of qualifications, experience and training of licensees' officers and employees. Setting a minimum level of competence, qualifications, skills and experience is critical for individuals undertaking controlled functions to enable them to perform their roles and responsibilities adequately.</p>	GR2	Noted
<p><b>A bank</b> fully support the need for ensuring an acceptable and satisfactory level of competence, in terms of knowledge, skills, experience and qualifications for individuals undertaking controlled functions in all banks.</p>	GR3	Noted
<p><b>A bank</b> suggest that while issuing the regulation, the CBB should keep a provision in the regulation for banks to propose candidates, whose competency and qualification may not necessarily be in line with the exact requirements of the CBB but in other ways meet or exceed the overall criteria set by the CBB, for CBB review / approval.</p>	GR4	The bank is asking for a provision that allows banks to employ candidates that do not meet the experience and qualification requirements, in other words to soften article 4. Article 4 should stay as it is as the minimum qualifications and experience in the appendix of the TC are only guide and

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		will be used by the CBB as a criteria in assessing the candidates, so it is judgmental and 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><b>A bank</b> inquired regarding new positions added in the control functions, will the licensees be required to seek approvals for the personnel holding existing position?</p>	GR-5	Although legislation does not have retrospective effect. However, prior approval of controlled functions is required by law and is already in place. However, Module TC requirements as per Article 4 of this regulation will not have a retrospective effect.

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<b>Specific Comments:</b>			
<b>Reference to the draft Directive:</b>	<b>Comments</b>	<b>REF</b>	<b>CBB's Response</b>
<p><b>Article 2</b>  <b>Purpose of this resolution</b></p> <p>The purpose of this resolution is to set out the conditions and procedures required for obtaining approval for members of the board of directors of CBB licensees, persons holding executive positions, and certain officers of CBB licensees, in accordance with Article 65 of the Law.</p>	<p><b>A bank</b> noted that the Resolution, under Article 2, refers to ‘persons holding executive positions.’ However, this term requires further clarification with respect to the following:</p> <p>i. The definition of executive positions, in terms of overall responsibilities and what business units or control/functional areas are to be covered by Banks would need to be elaborated.</p> <p>ii. Expected seniority level of the positions would need to be defined. In its absence, Banks would assume that their internal Policy should address this issue by defining the seniority level, at their discretion.</p> <p>iii. Applicability to licensees’ overseas branches and wholly owned subsidiaries would need to be specified.</p>	SP1	<p>In this draft resolution, the definition of “any executive/senior position” is linked to the controlled function as defined in the CBB Rulebook and hence is considered a controlled function. In this case, there is no need to define the seniority level of the positions since the controlled functions are clearly defined in the Rulebook.</p> <p>The resolution should be high level and assume everybody, however, such details as overseas branches and wholly owned subsidiaries need to be clear in the LR/AU Module in the Rulebook.</p>
<p><b>Article 3</b>  <b>Requirement to seek approval</b></p> <p>Before any person may occupy a Controlled Function within a licensee, the relevant licensee must first obtain the express written approval of the Central Bank for</p>	<p><b>A bank</b> recommended providing some flexibility to Article 3 of the Resolution, this is by making the CBB’s written approval obtained “before the end of probation period” instead of “before occupying the position”, this is only recommended for certain officers rather than for board members and executive positions.</p>	SP2	<p>Disagree. The “PRIOR” CBB approval is a requirement of the Law.</p>

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<p>that person to occupy the desired position. It is a disciplinary offence for a licensee to engage a person in a Controlled Function who has not been approved by the Central Bank.</p>			
<p><b>Article 4</b>  <b>Experience and qualifications</b></p> <p>The Central Bank requires every person occupying, or seeking to occupy, a Controlled Function to have the requisite level of experience and qualifications required to hold such a position. Because the Central Bank’s requirements as to experience and qualifications can vary over a period of time, dependent on, amongst other things, industry standards and market requirements, the criteria for each Controlled Function shall be set down in the Central Bank’s Rulebook.</p>	<p><b>A bank</b> noted with regards to Article 4 “Experience &amp; Qualifications” :</p> <p>(a) Board Members - In the case of the Bank, Board Members represent the interests of the single shareholder i.e. the Government of Bahrain and are accordingly appointed by decree of the Council of Ministers. Accordingly, this aspect needs to be considered before mandating the requirement in case of the Bank.</p> <p>(b)Other Controlled Functions – Given the size of the Bank, its status as a wholly government-owned institution and its restricted retail license, would the institution have the latitude in recommending an individual for a Controlled Function with some deviations to the laid down Competency Criteria, subject to CBB’s prior approval of the same?</p>	<p>SP3</p>	<p>Article 4 should stay as it is as the minimum qualifications and experience in the appendix of the TC are only guide and will be used by the CBB as a criteria in assessing the candidates, so it is judgmental and 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>

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<b>Industry Comments</b>		
<b>General Comments:</b>	<b>Ref</b>	<b>CBB's Response</b>
<p><b>A bank</b> noted that the same Regulations will apply to diverse groups like i) Locally Incorporated Banks - Both a) Retail and b) Wholesale, ii) Foreign Incorporated Banks both a) Retail and b) Wholesale and iii) Branches of Overseas Conventional Banks - Both a) Retail branches and b) Wholesale Branches. In <b>the Bank's</b> opinion, the nature of responsibility and hence the requisite expertise will vastly differ for each controlled function between these groups. While all Locally Incorporated Banks are likely to need the highest level of competence for each of these positions, the level of knowledge/experience/expertise required for the same position in a Branch of an Overseas Conventional Bank will be so much lower.</p>	GR1	The resolution applies to all licensees. Module TC for each Volume of the CBB Rulebook for each licensee will outline the appropriate requirements based on the nature of the financial institution.
<p><b>A bank</b> stated that they are a Wholesale Branch of a Bank from India. In order to illustrate their point, they would like CBB to consider the position from their perspective. Assuming, India had exactly the same regulations as are proposed in Bahrain and they were considering the appointment of say a CEO for the Bank in India and for the Branch in Bahrain. Would they apply the same criteria for selection of personnel for both the positions? Obviously the answer is no. The CEO for the Bank as a whole in India would be discharging a manifold and critical responsibility and what will be expected of the CEO of the Branch in Bahrain will be minuscule in comparison. Same will be the position of all the other Controlled Functions.</p>	GR2	The qualifications and experience in the appendix of the TC are only guide and will be used by the CBB as a criteria in assessing the candidates, so it is judgmental and 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.

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<b>Industry Comments</b>		
<b>General Comments:</b>	<b>Ref</b>	<b>CBB's Response</b>
<p><b>An Insurance Licensee</b> suggested we:</p> <ol style="list-style-type: none"> <li>1. Make reference to the timescales for processing such applications in order to manage one's expectations.</li> <li>2. Make reference to an appeals process should an application be initially rejected.</li> </ol>	GR1	<ol style="list-style-type: none"> <li>1. This is included under Module AU.</li> <li>2. CBB Law is silent about the applicant's right to appeal. However, Paragraph AU-5.2.5 states: "All refusals by the CBB to grant a person approved person status have to be reviewed and approved by an Executive Director of the CBB. A notice of intent is issued to the insurance licensee, setting out the basis for the decision. The insurance licensee has 30 calendar days from the date of the notice in which to appeal the decision. The CBB then has 30 calendar days from the date of the representation in which to make a final determination. See also Chapter EN-8."</li> </ol>

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<p><b>An Insurance Licensee</b> stated that the CBB proposed process, yet they would like to note that the CBB need to be practical in the approval process. It is the market norm to offer contracts to employees which are subject to CBB approval given that the firm has done its own due diligence. They have noticed that individuals are too afraid to resign their posts despite them being in theory fit for the Job as per the employer’s requirements.</p>	<p>GR2</p>	<p>Disagree. There is nothing new, this is a requirement of the Law and all approved persons are currently required to get the CBB PRIOR APPROVAL.</p>
<p><b>An Insurance Licensee</b> recommended for the CBB to have the licensees do a “fitness test” or an “assessment” test which makes the assessment process more of the licensee’s responsibility and then the CBB approve the individual based on their satisfaction of the assessment test done by the licensee. They believe this might speed the process of the CBB approval as the CBB will only provide their satisfaction based on the assessment test results, rather than the CBB doing the assessment themselves. The licensee should put forward the reasons why it believes a candidate has the necessary knowledge, experience and qualifications to carry out a controlled function.</p>	<p>GR3</p>	<p>Disagree. The licensee can do its own assessment test for candidates. However, the candidate must meet CBB’s requirements in order to be approved to carry out a controlled function.</p>
<p><b>An Insurance Licensee</b> stated that in terms of AU-5.2.6 requiring immediate notification of any approved person ceasing to hold a controlled function and AU5.5.6 requiring filling of vacancy (permanent replacement) within 120 days with interim arrangement</p>	<p>GR4</p>	<p>No changes are to be made to the regulation. This is already covered in AU Module.</p>

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for continuity purposes, they interpret that “prior approval” is mandated for new replacement and as well for the interim arrangement. The effect of seeking prior approval for both the permanent replacement and the interim arrangement may lead to a period wherein the position may be unsupervised. In view of the foregoing, they suggest that prompt notification along with intimation of the interim arrangement, for which the licensed firm is certainly obligated to conduct proper due diligence with respect to fitness and propriety, be taken as complying with the requirements of the CBB Rules. The aspect in relation to interim arrangement as contained in AU Module should be built into the Draft Resolution to avoid any misinterpretation. Certainly if CBB is of the determination that the Interim Replacement is not fit and proper, CBB may require the licensee to re-appoint another interim arrangement till the permanent replacement is found within 120 days.

**An Insurance Licensee** stated that this resolution just reproduces the existing provisions in the Rulebook and does not set out any additional conditions or procedures. Since the procedure is already available under Rulebook, the purpose of this resolution is not clear.

GR5

Disagree. Article 65 (a) of the Law requires the CBB to issue a resolution on the terms and conditions for obtaining the CBB prior approval for any nominees to the membership of the board or for any executive post.

The proposed Resolution further explains the relationship between Article 65 of the Law and “controlled-functions” as defined in the Rulebook by stating that

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<p><b>An Insurance Licensee</b> stated that currently LMRA requires No-Objection certificate from CBB for all the appointments irrespective of the position or functions. This requirement is neither defined in the rulebook nor in this resolution.</p>	GR6	<p>the Controlled functions are those that come within Article 65 of the Law together with such other functions designated by the CBB and provides a list of controlled functions.</p> <p>CBB does not give any NOC to the LMRA for all appointments.</p>
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<b>Specific Comments:</b>			
<b>Reference to the draft Directive:</b>	<b>Comments</b>	<b>REF</b>	<b>CBB's Response</b>
<p><b>Article 1</b> <b>Definitions</b></p> <p>In implementing the provisions of this resolution, the following terms and expressions shall have the meanings assigned to them below unless the context requires otherwise:</p> <p>CBB: Central Bank of Bahrain</p> <p>The Law: The Central Bank of Bahrain and Financial Institutions Law promulgated by Decree No. 64 of 2006</p> <p>Executive Position: a position where a person exercises, or is capable of exercising, major managerial responsibilities,</p>	<p><b>An Insurance Licensee</b> suggested the following definitions:</p> <p><b>Executive position:</b> a position within the entity which requires day to day involvement in the licensee's affairs while being responsible for a significant part of the licensee, this comes with having the authority to take actions and decisions for the licensee.</p> <p><b>Controlled Function:</b> the CBB should give more clarity to what is in scope of a controlled function. The current list is board of directors; CEO / GM; CFO / financial controller; Compliance Officer; MLRO. We believe to complete the scope; heads of functions should be added to the process, whereas a person reporting to a head of function should not require CBB approval.</p>	<p>SP1</p>	<p>Disagree. This term is used by the Law and therefore it is used in order to be consistent with the wording of the law yet this term is linked to the controlled functions in order to avoid banks comments such as the need to define seniority level.</p> <p>Disagree- the current definition of controlled functions gives the CBB the flexibility to define the positions in the Rulebook and to change such list from time to time. Head of functions can be captured under "certain officers of the licensees as determined and set out by the CBB in the CBB Rulebook .Heads of Function are already under the list of controlled functions in Module AU of the CBB's Rulebook Volume 3.</p>

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<p>including (but not limited to) responsibilities for a significant business or operating unit within a licensee or higher level responsibilities for maintaining accounts or other records of the licensee.</p> <p>Controlled Function: members of the board of directors of a licensee, persons holding Executive Positions and certain officers of the licensees as determined and set out by the CBB in the CBB Rulebook.</p>	<p><b>An Insurance Licensee</b> suggested that the definition of controlled function be specific to avoid ambiguity. For example, it can be defined as:</p> <ul style="list-style-type: none"> <li>• Chief Executive Officer</li> <li>• General Manager</li> <li>• Finance Manager</li> <li>• Compliance Officer</li> </ul> <p>Deputy General Manager(Technical)</p>	<p>SP2</p>	<p>Please refer to SP1 above.</p>
<p><b>Article 2</b></p> <p><b>Purpose of this resolution</b></p> <p>The purpose of this resolution is to set out the conditions and procedures required for obtaining approval for members of the board of directors of CBB licensees, persons holding executive</p>	<p><b>An Insurance Licensee</b> noted that though the purpose of this resolution is to set out the conditions and procedures required for obtaining approval for members of the board of directors, persons holding executive positions, and certain officers, the requirement ( as per Article 3 of this resolution) is to seek approval only for the controlled function and not for executive positions &amp; Officers.</p> <p>The rulebook requires approval only for controlled function but not for executives (as there</p>	<p>SP3</p>	<p>This term is used by the Law and therefore it is used in order to be consistent with the wording of the law yet this term is linked to the controlled functions in order to avoid banks comments such as the need to define seniority level.</p>
		<p>SP4</p>	<p>Please refer to SP-3 above.</p>

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<p>positions, and certain officers of CBB licensees, in accordance with Article 65 of the Law.</p>	<p>is no such category defined). It is not clear why the “Executive Position” is defined here when prior CBB approval is not required for such appointment.</p>		
<p><b>Article 3</b></p> <p><b>Requirement to seek approval</b></p> <p>Before any person may occupy a Controlled Function within a licensee, the relevant licensee must first obtain the express written approval of the Central Bank for that person to occupy the desired position. It is a disciplinary offence for a licensee to engage a person in a Controlled Function who has not been approved by the Central Bank.</p>	<p><b>An Insurance Licensee</b> suggested we delete “It is a disciplinary offence for a licensee to engage a person in a Controlled Function who has not been approved by the Central Bank.”</p>	<p>SP5</p>	<p>Disagree. The licensee must not hire any individual undertaking a controlled function without obtaining CBB’s prior written approval. Since this is a requirement in the draft resolution, non-compliance with it is considered a disciplinary offence.</p>
	<p><b>An Insurance Licensee</b> stated that they agree to the need of CBB approval prior to the occupancy of the function, however for this to work effectively the CBB’s turnaround time should be quicker as the approval process makes the recruitment process a very long one, bearing in mind that there is the interviewing stage, then the offer stage, then the CBB approval and finally the prospect could resign his role with a notice averaging 1 to 3 months making the recruitment of a controlled function a 3 to 6 month process. The process could range to be longer than the authorization requirement to fulfil the required designation within 120 days (4 months approx).</p> <p>Lowering the response time could be achieved by a committee which sits twice a week to approve</p>	<p>SP6</p>	<p>Processing of application is covered under Module AU</p>

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	<p>individuals to hold controlled functions and therefore the turnaround timing should not extend to more than one week which is acceptable and goes along with the average offer validity period.</p>		
	<p><b>An Insurance Licensee</b> stated that in relation to Article 3 dealing with ‘disciplinary offence’, CBB should treat an appointment of ‘permanent replacement’ for any of the Controlled Functions without seeking prior approval and not following the due process as outlined above as an instance leading to disciplinary offence.</p> <p>They feel that the above suggestion would put better clarity to the Draft Resolution from operational perspective.</p>	<p>SP7</p>	<p>This should be clarified in the AU Module and no changes are to be made to the regulation. The regulation is high level and does not go into such details.</p>

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<p><b>Article 4</b>  <b>Experience and qualifications</b></p> <p>The Central Bank requires every person occupying, or seeking to occupy, a Controlled Function to have the requisite level of experience and qualifications required to hold such a position. Because the Central Bank's requirements as to experience and qualifications can vary over a period of time, dependent on, amongst other things, industry standards and market requirements, the criteria for each Controlled Function shall be set down in the Central Bank's Rulebook.</p>	<p><b>An Insurance Licensee</b> noted that though there is an interpretative guidance on "Fit &amp; Proper" in the Rulebook 3, no specific criteria has been set for each function.</p>	<p>SP8</p>	<p>The draft Module TC (Training and Competency) for Volume 3 is awaiting further consideration, which will include the minimum competency and qualifications requirements each controlled function.</p>
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<p><b>Article 5</b>  <b>Procedure for seeking approval</b></p> <p>Applications for approval to occupy a Controlled Function shall be made on “Form 3: Application of Approved Person Status” available on the Central Bank’s web site <a href="http://www.cbb.gov.bh">www.cbb.gov.bh</a>.</p>	<p><b>An Insurance Licensee</b> noted that this form is already available in Rulebook and currently used to obtain CBB approval. The need to introduce this Article in the resolution is not clear.</p>	<p>SP9</p>	<p>Since Article 65 (a) of the Law requires the CBB to issue a resolution on the terms and conditions for obtaining the CBB prior approval for any nominees to the membership of the board or for any executive post, the procedure for seeking such approval should be part of the this resolution.</p>
<p><b>Article 6</b>  <b>Processing applications</b></p> <p>Form 3 (referred to in the Article above) gives details on how to complete the application form, including contact details for</p>	<p><b>An Insurance Licensee</b> noted that rather than leaving it open, there should be a specific time limit within which the outcome should be conveyed, such as five or ten working days. If the licensee does not hear within the time limit, approval should be presumed.</p>	<p>SP10</p>	<p>This is part of Module AU.</p>

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<p>enquiries and where to send the completed application form. The Central Bank will advise applicants of the outcome on their application as soon as the process has been completed.</p>	<p><b>An Insurance Licensee</b> suggested we add “, no later than 3 weeks from submission date”.</p>	<p>SP11</p>	<p>See comment SP10.</p>
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<p><b>Article 6</b> <b>Processing applications</b></p> <p>Form 3 (referred to in the Article above) gives details on how to complete the application form, including contact details for enquiries and where to send the completed application form. The Central Bank will advise applicants of the outcome on their application as soon as the process has been completed.</p>	<p><b>Two Insurance Licensees</b> suggested adding to the paragraph the following text: “but not later than two months from when it has received full information from the applicant. In the case of refusal, the Central Bank will give reasons for such refusal.</p>	SP12	See comment SP 10.
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<b>Industry Comments</b>		
<b>General Comments:</b>	<b>Ref</b>	<b>CBB's Response</b>
<p><b>An Investment Firm</b> suggested introducing a time frame for the issuance of the approval/rejection decision of the CBB. This is more a concern from a business perspective, in order to ensure some sort of continuity and foresee any possible procedural delays.</p>	GR1	This is not part of the resolution. This is part of Module LR.
<p><b>An Investment Firm</b> suggested the following for Form 3:</p> <ul style="list-style-type: none"> <li>• Section declaration- a recent passport photo may be requested to be pasted, with applicant's signature across.</li> </ul>	GR2	
<ul style="list-style-type: none"> <li>• Section 3- qualification and experience: A small section may be added to include different training courses/ classes attended by the applicant, which may not necessarily be qualifications with certificates.</li> </ul>	GR3	
<ul style="list-style-type: none"> <li>• Point 10, passport: Details can be requested to provide details of previous passports and any current multiple visas or Dual passports.</li> </ul>	GR4	
<ul style="list-style-type: none"> <li>• The approved persons list should be accessible on CBB website , each person's approval having a unique ID.</li> </ul>	GR5	

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<b>Specific Comments:</b>			
<b>Reference to the draft Directive:</b>	<b>Comments</b>	<b>REF</b>	<b>CBB's Response</b>
<p><b>Article 3</b> <b>Requirement to seek approval</b></p> <p>Before any person may occupy a Controlled Function within a licensee, the relevant licensee must first obtain the express written approval of the Central Bank for that person to occupy the desired position. It is a disciplinary offence for a licensee to engage a person in a Controlled Function who has not been approved by the Central Bank.</p>	<p><b>An Investment Firm.</b> believes that the CBB seeks to establish good governance practices and this requirement is a prudent move in that direction. But from the licensee's perspective, they suggest an arrangement where a candidate is shortlisted to occupy a Controlled Function, subject to CBB's approval and if the licensee does not obtain CBB's approval within three months, it should be a disciplinary offence. This would be in line with the CBB's objective of ensuring that no person is appointed to occupy a Controlled Function without the express written permission of the CBB and it would allow the licensee to make timely decisions with respect to these key positions.</p>	SP1	Disagree. The "PRIOR" CBB approval is a requirement of the Law.
<p><b>Article 4</b> <b>Experience and qualifications</b></p> <p>The Central Bank requires every person occupying, or seeking to occupy, a Controlled Function to have the requisite level of experience and qualifications required to hold such a position.</p>	<p><b>An Investment Firm</b> stated that as per the current requirement that the criteria for each Controlled Function shall be set down in the CBB rulebook, they believe that the criteria offer accurate guidance to licensees in appointing suitable candidates for persons to occupy a Controlled Function.</p> <p>However, they believe that the criteria are broad</p>	SP2	Detailed criteria for each controlled function with regards to competency and qualifications are available in Module TC of the CBB Rulebook Volume 4 which is already implemented.

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<p>Because the Central Bank’s requirements as to experience and qualifications can vary over a period of time, dependent on, amongst other things, industry standards and market requirements, the criteria for each Controlled Function shall be set down in the Central Bank’s Rulebook.</p>	<p>in their ambit and for the sake of further assistance and clarity, these criteria should be further broken down into a set of details. This would offer them further clarity in implementing the CBB’s mandate with respect to selecting the best candidate to occupy a Controlled Function.</p>		
	<p><b>An Investment Firm</b> stated with respect to Article 4 that certain senior age positions may have matured with many years of experience, even though not supported by Requisite qualification.</p>	<p>SP3</p>	<p>This is not related to the resolution but related to Module TC.</p>
<p><b>Article 5 Procedure for seeking approval</b></p> <p>Applications for approval to occupy a Controlled Function shall be made on “Form 3: Application of Approved Person Status” available on the Central Bank’s web site <a href="http://www.cbb.gov.bh">www.cbb.gov.bh</a>.</p> <p><b>Article 6 Processing applications</b></p> <p>Form 3 (referred to in the Article above) gives details on how to complete the application form,</p>	<p><b>An Investment Firm</b> are of the opinion that the information sought in Form 3 is thorough and it is a prudent move by CBB which aids licensees in identifying the right candidate on key parameters mentioned therein.</p> <p>They firmly believe that the requirements in Form 3 form a vital element of CBB’s regulatory framework, which is at par with International regulators of repute. They stated that in their experience so far, there has been no instance wherein they have been unable to get an approval from CBB with respect to Form 3 on time.</p>	<p>SP4</p>	<p>Noted</p>

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including contact details for enquiries and where to send the completed application form. The Central Bank will advise applicants of the outcome on their application as soon as the process has been completed.			
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<b>Industry Comments</b>		
<b>General Comments:</b>	<b>Ref</b>	<b>CBB's Response</b>
<p><b>A bank</b> propose that the Paper applies its rules (albeit in a less restrictive manner) to individuals identified to succeed the positions of the Controlled Functions pursuant to the Succession Planning guidelines.</p>	GR1	This could apply to Module TC.
<p><b>A bank</b> also propose the Paper highlights the requirement of “Induction Programs” for the Board pursuant to the High Level Control module.</p>	GR2	This should be part of Module TC

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<b>Industry Comments</b>		
<b>General Comments:</b>	<b>Ref</b>	<b>CBB's Response</b>
<p><b>A bank</b> asked if this is necessary at all. Art. 65 of the CBB Law is clear enough and LR-2.4.1 (Volume 2) specifies this as its authority. The description in the Resolution of 'executive position' is not picked up in TC and, in any event, is redundant in that the concept of 'controlled function' is stated to include any officer of a licensee 'as determined and set out by the CBB in the CBB Rulebook'.</p>	GR1	<p>Article 65 (a) of the Law requires the CBB to issue a resolution on the terms and conditions for obtaining the CBB prior approval for any nominees to the membership of the board or for any executive post.</p> <p>In this draft resolution, the definition of "any executive/senior position" is linked to the controlled function as defined in the CBB Rulebook and hence is considered an approved position.</p> <p>This term is used by the Law and therefore it is used in order to be consistent with the wording of the law yet this term is linked to the controlled functions in order to avoid banks comments such as the need to define seniority level.</p>
<p><b>A bank</b> stated that the resolutions/articles underlines the requirements already affirmed in the LR Module of the CBB Rulebook (Volume 2); as such there isn't any new requirement which was previously not known to the bank.</p>	GR2	<p>True, however, Article 65 (a) of the Law requires the CBB to issue a resolution on the terms and conditions for obtaining the CBB prior approval for any nominees to</p>

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		the membership of the board or for any executive post. Moreover article 4 and the cross reference to the TC Module is considered new.
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<b>Specific Comments:</b>			
<b>Reference to the draft Directive:</b>	<b>Comments</b>	<b>REF</b>	<b>CBB's Response</b>
<p><b>Article 1</b> <b>Definitions</b></p> <p>In implementing the provisions of this resolution, the following terms and expressions shall have the meanings assigned to them below unless the context requires otherwise:</p> <p>CBB: Central Bank of Bahrain</p> <p>The Law: The Central Bank of Bahrain and Financial Institutions Law promulgated by Decree No. 64 of 2006</p> <p>Executive Position: a position where a person exercises, or is capable of exercising, major managerial responsibilities, including (but not limited to) responsibilities for a significant business or operating unit within a licensee or higher level responsibilities for maintaining</p>	<p><b>A bank</b> asked the following questions:</p> <ol style="list-style-type: none"> <li>1. Will this replace the Senior Management definition and will it be regardless of the reporting line to the CEO?</li> <li>2. Before it used to be approved persons.... Is it changing to controlled functions?</li> </ol>	<p>SP1</p>	<p>Given the definition of “any executive/senior position” in the draft resolution, already covers senior management (i.e. CEO or head of function) in the glossary. In this draft resolution, the definition of “any executive/senior position” is linked to the controlled function as defined in the CBB Rulebook and hence is considered an approved position.</p>

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<p>accounts or other records of the licensee.</p> <p>Controlled Function: members of the board of directors of a licensee, persons holding Executive Positions and certain officers of the licensees as determined and set out by the CBB in the CBB Rulebook.</p>			
<p><b>Article 3</b> <b>Requirement to seek approval</b></p> <p>Before any person may occupy a Controlled Function within a licensee, the relevant licensee must first obtain the express written approval of the Central Bank for that person to occupy the desired position. It is a disciplinary offence for a licensee to engage a person in a Controlled Function who has not been approved by the Central Bank.</p>	<p><b>A bank</b> stated that this is good but could affect an employee if his employer knows he is leaving.</p>	<p>SP2</p>	<p>The new employer should ensure the confidentiality of applying for the approval of a newly recruited employee undertaking a controlled function. This is not new requirement and is currently followed for all approved persons.</p>

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<p><b>Article 6</b> <b>Processing applications</b></p> <p>Form 3 (referred to in the Article above) gives details on how to complete the application form, including contact details for enquiries and where to send the completed application form. The Central Bank will advise applicants of the outcome on their application as soon as the process has been completed.</p>	<p><b>A bank</b> suggested that a time frame of 15 days for an extended due diligence should be sufficient.</p>	<p>SP3</p>	<p>Such reference should not be part of the Resolution. This is covered in Module LR.</p>
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**Draft Regulation with respect to the conditions and Procedures for Obtaining Approval for Controlled Functions (Specialised Licensees)**  
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<b>Industry Comments</b>		
<b>General Comments:</b>	<b>Ref</b>	<b>CBB's Response</b>
<p><b>A Financing Company</b> stated that in their opinion, while they are in agreement with CBB's directives regarding obtaining its prior approval for appointment of controlled functions, they believe that prescribing anything more than that (viz. specific experience requirements, qualification requirements, training requirements and related record keeping requirements) may lead to micro-management of the banks by CBB. They believe matters such as the above should be left to the individual banks to decide/ manage.</p>	GR1	<p>Disagree. Article 65 (a) of the Law requires the CBB to issue a resolution on the terms and conditions for obtaining the CBB prior approval for any nominees to the membership of the board or for any executive post.</p> <p>The qualifications and experience in the appendix of the TC are only guide and will be used by the CBB as a criteria in assessing the candidates, so it is judgmental and 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>

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<b>Specific Comments:</b>			
<b>Reference to the draft Directive:</b>	<b>Comments</b>	<b>REF</b>	<b>CBB's Response</b>
<p><b>Article 4</b>  <b>Experience and qualifications</b></p> <p>The Central Bank requires every person occupying, or seeking to occupy, a Controlled Function to have the requisite level of experience and qualifications required to hold such a position. Because the Central Bank's requirements as to experience and qualifications can vary over a period of time, dependent on, amongst other things, industry standards and market requirements, the criteria for each Controlled Function shall be set down in the Central Bank's Rulebook.</p>	<p><b>A Financing Company</b> believed the requirement to obtain CBB's approval before any person can occupy a 'controlled function' and the related disciplinary offence in case of non-compliance should suffice (Article 3). CBB should not seek to prescribe in the Rulebook, the minimum levels of experience and qualifications required to hold such positions, which decision should be left to the individual licensees. As such, this Article should be omitted from the draft regulation.</p>	<p>SP1</p>	<p>The qualifications and experience in the appendix of the TC are only guide and will be used by the CBB as a criteria in assessing the candidates, so it is judgmental and 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>