



EDBS/KH/C/78/2019
22nd October 2019

The Chief Executive Officer/General Manager,
All Listed Companies
All Self- Regulatory Organisations (SROs)
All Share Registrars
All Paying Agents
Law Firms
Manama
Kingdom of Bahrain

Dear Sir,

Proposed Amendments to Article 32.5 under CBB Disclosure Standards

As part of the CBB's on-going objective to enhance its regulatory framework, certain amendments are proposed to Article 32.5 of the Disclosure Standards of the CBB Rulebook Volume 6 which are included in Annexure-1.

The amendments relate to the corporate action timeline and have been proposed with an objective to enhance the current practices adopted by public listed companies in Bahrain as well as to avoid any ambiguity with respect to the timeline and mechanism for declaration and payment of dividends. The amendments aim to improve transparency while declaring dividends and to allow the investors to take informed decisions following the declaration of dividends.

The proposed amendments shall be available on the CBB website (www.cbb.gov.bh) under the "open consultation" section. You are requested to review the proposed amendments and provide the CBB with your comments electronically, including "nil comments", to the Director - Capital Markets Supervision Directorate, Mrs. Abeer Al Saad via email: aalsaad@cbb.gov.bh and CBB Consultation Team at consultation@cbb.gov.bh by 7th November 2019.

Yours faithfully,


Khalid Hamad

Annexure – 1

Proposed Amendments to CBB Disclosure Standards – Corporate Actions (i.e. Dividends) Timeline

Module/Regulation: Disclosure Standards (Circular Ref. ODG/407/03 dated 3rd December 2003)

With a view to streamline and make more effective the declaration and payment of dividends, the Central Bank of Bahrain's Capital Markets Supervision Directorate ("CMSD") proposes to amend Article 32.5 of the Disclosure Standards. To this end, the CBB proposes to replace the existing Article 32.5 (existing article) with a new provision (proposed article). The proposed article shall read as mentioned below.

Chapter II: Ongoing Obligations

Article	Existing Article	Proposed Article
32.5	<p>Article (32): Immediate Announcement –</p> <p><i>“The issuer must notify the Agency of any major developments or changes in its sphere of activity, i.e.”</i></p> <p>Any recommendation of declaration of a dividend (including bonuses, if any), the rate and amount per share and date of payment, which shall be within a maximum of 10 calendar days from the general meeting date approving the dividend.</p> <p>(a) Once the Record Date is announced, the issuer shall not make any subsequent alterations to that date.</p> <p>(b) All dividends (including bonuses, if any) must be paid within a maximum of 45 days from the date of declaration.</p>	<p>Article (32): Immediate Announcement</p> <p>An issuer must announce immediately any recommendation of declaration of dividends (including bonuses, if any), stating the rate and amount per share, record date and the date of payment. In this context, the issuer must ensure to comply with the following requirements:</p> <p>(a) Once the record date is announced, the issuer must not make any subsequent alterations to the date.</p> <p>(b) The declaration of dividends must be at least 5 market days before the record date (excluding the declaration date and the record date).</p> <p>(c) Dividends must be paid within a maximum of 10 market days from the record date (excluding the record date).</p> <p>(d) Where the entitlements (dividends distributions) require approval by shareholders in a general meeting, the last day for trading in the listed securities with entitlements must fall at least one market day (excluding the date of the general meeting) after the general meeting.</p>

Rationale

Proposed amendment no. 1 pertaining to provision 32.5(b):

“The declaration of dividends must be at least 5 market days before the record date (excluding the declaration date and the record date)”

The current requirements stipulated under Article (32.5) of the CBB Disclosure Standards does not regulate the timeline between the date of the announcement and the record date, as it only sets out the requirements of the content of such announcement. Thus, the CBB proposes to provide a minimum period of 5 market days between the announcement date and the record date. Such window will provide flexibility to the listed companies as well as ensure that shareholders are able to trade the securities at cum-dividend price before the securities starts trading at ex-dividend price (Refer to Diagram-1).

Proposed amendment no. 2 pertaining to provision 32.5(c):

“Dividends must be paid within a maximum of 10 market days from the record date (excluding the record date)”

The current provisions of Article (32.5) outlines two different timelines in regards to the date of payment, as follows:

1. Maximum 10 calendar days from the general meeting and;
2. Maximum of 45 days from the declaration date.

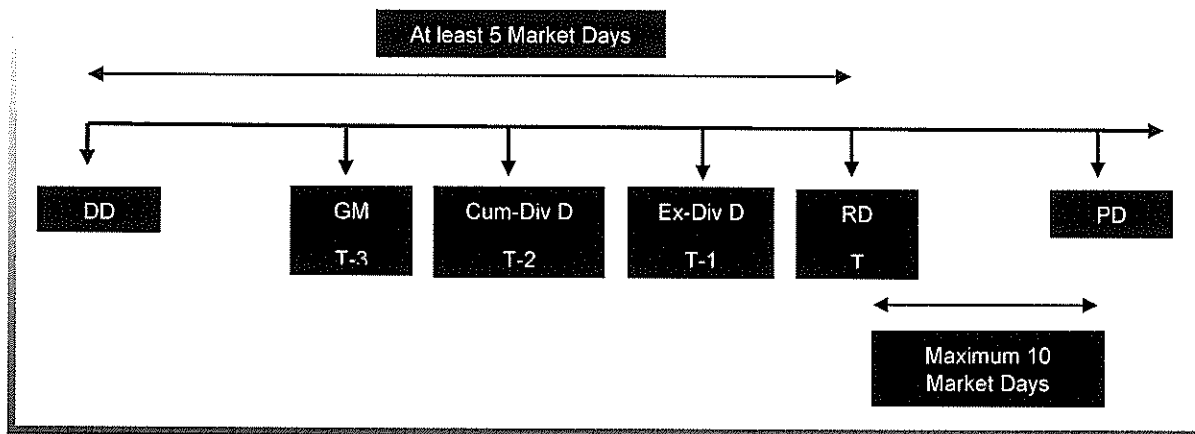
The above timeframes have been creating confusion in the market within the listed companies and have been very difficult to be complied with concomitantly. Therefore, the proposed amendment considers the record date as the reference date and links the payment date to record date (10 market days from the record date). This is in line with the international best practice and will be applicable equally to both, the interim dividends cases as there is no reference to a general meeting as well as to final dividends.

Proposed amendment no. 3 pertaining to provision 32.5(d):

“Where the entitlements (dividends distributions) require approval by shareholders in a general meeting, the last day for trading in the listed securities with entitlements must fall at least one market day (excluding the date of the general meeting) after the general meeting”

The proposed amendment aims to provide a window of at least 1 market day wherein the securities will trade at cum dividend price. In case of final dividend, wherein shareholders' approval is required, the proposed amendment ensures that at least 1 market day is provided to the shareholders to trade the shares at cum dividend price. This will ensure that shareholders are provided at least 1 market day to take an informed decision post dissemination of a material information.

Diagram - 1 Proposed Timeline for Listed Companies' Corporate Actions:



- **DD:** Date of Declaration
- **RD:** Record Date
- **Ex-Div D:** Ex-Dividend Date
- **Cum-Div D:** Cum-Dividend Date
- **PD:** Payment Date

Glossary:

The below section outlines the definitions of the main terminologies used in this document.

1. **Corporate Action:** Any procedure taken by a listed company, which results into additional shareholders' rights and entitlements, obligations or change in the company's share capital such as dividends and bonus shares.
2. **Declaration Date or Announcement Date:** The board of directors' meeting date on which a corporate action is recommended or declared.
3. **Date of Payment:** The date the listed company starts distributing the dividends or other distributions.
4. **Record Date:** The date on which the shareholder must officially own the shares in order to be entitled to dividends.
5. **Ex-Dividend Date:** The first day of trading when the buyer of a stock is no longer entitled to the most recently announced dividend payment.
6. **Cum Dividend Date:** A stock is cum dividend, which means "with dividend," when a company has declared that there will be a dividend in the future but has not yet paid it out. A stock will trade cum dividend until the ex-dividend date — after which the stock trades without its dividend rights. Cum dividend describes a share whereby the buyer will receive the next dividend scheduled for distribution.