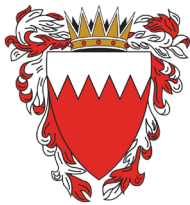


February  
2022

# Compliance & Enforcement Annual Report 2021

For the period ended December, 2021

Capital Markets Supervision Directorate  
Central Bank of Bahrain



مصرف البحرين المركزي

Central Bank of Bahrain

## Table of Contents

1. Introduction.....	2
2. Compliance Status 2021 .....	3
2.1. Listed Companies .....	3
Figure 1 .....	3
Table 1 .....	4
3. Key Case Handling & Escalation .....	4
Table 2 .....	5
4. Complaint Handling.....	6
Figure 2 .....	6
5. Conclusion .....	7

## 1. Introduction



The Capital Markets Supervision Directorate’s (“CMSD”) regulatory mandate is to set and enforce high quality capital market industry standards, protect investors and strengthen market integrity while supporting a stimulating capital markets’ ecosystem. The Investigation and Enforcement (“IE”) team within the CMSD assumes responsibility to ensure effective enforcement of the Central Bank of Bahrain’s (“CBB”) regulatory requirements, in order to achieve fairness, transparency, investor protection and safeguard public interests in the Kingdom of Bahrain.

In pursuing these mandates, IE aims to institute a fully-fledged proactive enforcement regimen that ensures the fulfilment of CMSD’s requirements by listed companies, self-regulatory organizations (“SROs”) and other capital market service providers (“CMSPs”). Accordingly, given each department’s invaluable role, the CMSD as a whole, strives to continue to instil and integrate the compliance and enforcement function,

directorate-wide. The CMSD believes that this inclusive view of enforcement strengthens and enhances the efforts expended to protect the integrity of the capital markets.

This annual report provides a comparative overview of CMSD’s efforts in 2020-2021 to identify and address non-compliances, negligence or misconduct, by accounting for all market participants in order to enact the word of the law, safeguard the interests of all stakeholders and ensure a stimulating environment within which the needs of members, investors and the regulator are met.

This is particularly important due to the exceptional nature of the years 2020-2021 with the implications of the Coronavirus pandemic continuing to be felt both locally and globally, giving rise to unprecedented challenges and risks, testing the financial system’s operational resilience, business continuity planning and cyber-security, among other things.

## 2. Compliance Status 2021

With reference to MIE-3.1.8 of the Market Surveillance, Investigation and Enforcement (“MIE”) Module of Volume 6 of the CBB Rulebook, in deciding on any given regulatory and enforcement response, the CBB is dependent on examining the circumstance of each individual contravention against Law No. (64) of 2006 with respect to promulgating the Central Bank of Bahrain and Financial Institutions Law (“CBB Law”) and the MIE Module. The CBB’s approach is three-way, in that the gravity of each respective contravention is assessed, the concerned person’s/entity’s compliance track record is examined and finally remedial measures to prevent future contraventions are evaluated and consequently instituted. Accordingly, this section will examine the most recent cases of contraventions of the CBB Law, the CBB Rulebook requirements or any other regulations, resolutions and directives issued in connection with implementing thereof.

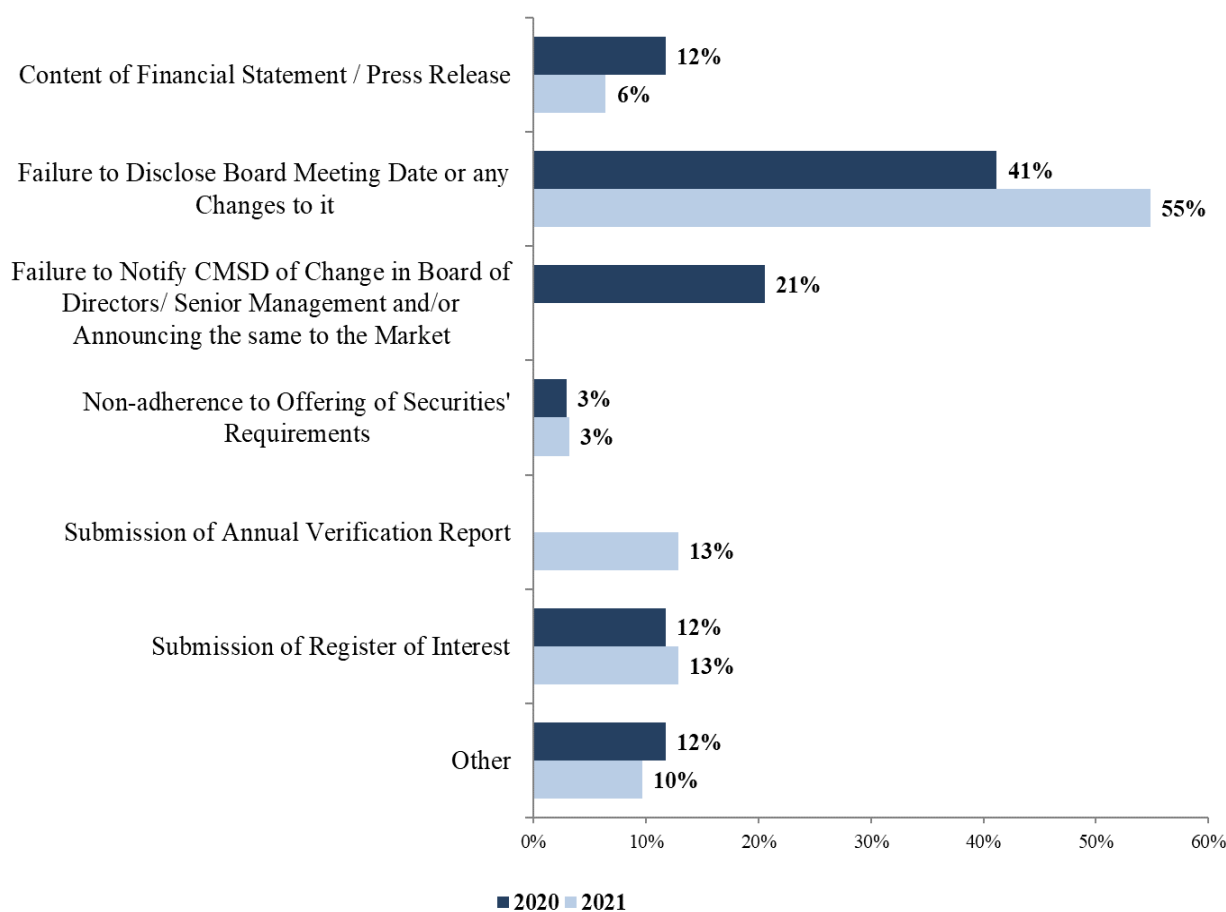
### 2.1. Listed Companies

#### ➤ Most Recurring Contraventions by Type

Figure 1 below illustrates the overall trend of CMSD-addressed contraventions in the years 2020-2021 across listed companies:

**Figure 1**

#### Listed Company Contraventions by Type (2020-2021)



As illustrated above, the most common non-compliances across listed companies for 2020 were concentrated on the Failure to Disclose the Date or any Change to the Meeting of Board of Directors, making up close to half of all 2020 contraventions. This is followed by Failure to Notify the CMSD of a Change in Board of Directors / Senior Management and/or Announcing the same to the Market, making up almost a quarter of all 2020 contraventions.

In 2021, making up over half of the contraventions for year is the Failure to Disclose the Date or any Change to the Meeting of Board of Directors, which also increased in terms of the number of cases from 2020. This is followed by two periodic returns, which combined make up a quarter of the contraventions of 2021 - Submission of Register of Interest and Submission of Annual Verification Report.

Table 1 below outlines the abovementioned cases further (with more elaboration included in the Appendices):

**Table 1**

<b>Listed Company Contraventions by Type (2020-2021)</b>		
<b>Contraventions by Type</b>	<b>2021</b>	<b>2020</b>
<b>Content of Financial Statement / Press Release</b>	<b>2</b>	<b>4</b>
<b>Failure to Disclose Board Meeting Date or any Changes to it</b>	<b>17</b>	<b>14</b>
<b>Failure to Notify CMSD of Change in Board of Directors/ Senior Management and/or Announcing the same to the Market</b>		<b>7</b>
<b>Non-adherence to Offering of Securities' Requirements</b>	<b>1</b>	<b>1</b>
<b>Submission of Annual Verification Report</b>	<b>4</b>	
<b>Submission of Register of Interest</b>	<b>4</b>	<b>4</b>
<b>Other</b>	<b>3</b>	<b>4</b>
Declaration of Annual Dividend		2
Non-adherence to Disclosure Standards	1	
Non-adherence to Insider Policy Trading Requirements & Takeovers, Mergers & Acquisitions' Requirements		1
Publication of Financial Statement	1	1
Improper Pattern of Treasury Share Repurchases	1	
<b>Grand Total</b>	<b>31</b>	<b>34</b>

As outlined in the above table, total non-compliances by listed companies in 2021 (31 contraventions) has decreased from 2020 (34 contraventions) by 8.8% .

### **3. Key Case Handling & Escalation**

The table below details key cases handled by CMSD-wide departments as well as those referred for escalation during the years 2020-2021:

Table 2

Key Cases (2020-2021)			
Year	Violator	Subject	Enforcement Outcome
2020	Listed Company & Member of SRO	Non-adherence to the requirement that Key Persons trade through in-house brokerage only	Formal Warning
	Listed Company	Non-disclosure of the Board of Directors' meeting date for the first quarter of the year 2020-2021	Non-Compliance Letter
	Member of SRO	Breach of Pre-arranged Trading Prohibitions	Formal Warning
	Licensed Asset Provider	Crypto-Service Appointment of External Auditor Prior to Obtaining CBB's Approval	Non-Compliance Letter
	Licensed Asset Provider	Crypto-Service Late Filing of Annual Audited Financial Statements, Non-Adherence to Notification Requirements for Anticipated Delays in Submitting Date-Sensitive Requirements and Non-Compliance with Enhanced Due Diligence Requirements	Non-Compliance Letter, Formal Warning & Per Diem Financial Penalty
2021	Listed Company	Late Disclosure of the Board of Directors' Meeting Date in Relation to the Third Quarter of Year 2021	Currently under examination
	Listed Company	Late Disclosure of the Board of Directors' Meeting Date in Relation to the Third Quarter of Year 2021	
	Listed Company	Late Disclosure of the Board of Directors' Meeting Date in Relation to the Third Quarter of Year 2021	
	Listed Company	Non-adherence to the CBB's Disclosure Standards	
	Member of SRO	Non-submission of ESRAD Returns	Non-Compliance Letter
	Licensed Asset Provider	Crypto-Service Breach of the Anti-Money Laundering and Combating of Financial Crime Module Requirements and Notification of Appointment of Expert	Formal Warning
	Licensed Asset Provider	Crypto-Service Non-Compliance with the CRA Module Requirements Pertaining to Intragroup Outsourcing, Segregation of Clients' Assets & Arrangement with Collection Agents	Non-Compliance Letter
	Licensed Asset Provider	Crypto-Service Misleading News Published Pertaining to Licensee and Failure to Notify the CBB of Business Expansion Plans	Formal Warning
	Licensed Asset Provider	Crypto-Service Authorization of Approved Persons Prior to Obtaining CBB's Approval	Formal Warning
	Individual Person	Non-Adherence to Offering of Securities' Requirements	Warning
Individual Person	Breach of Insider Trading Rules & Regulations	Warning	

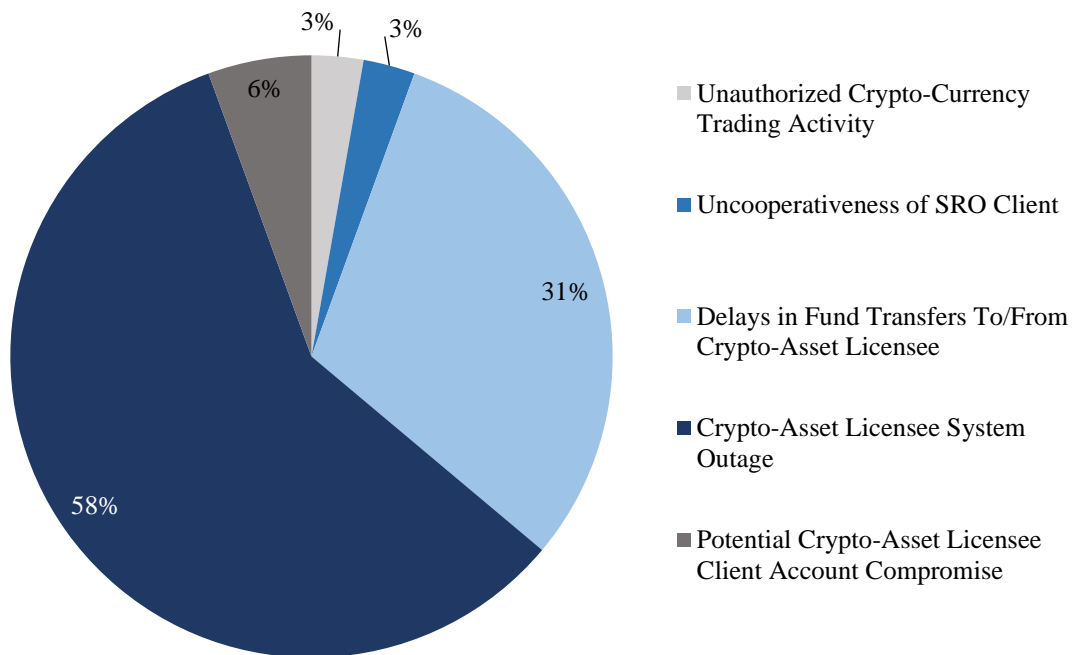
## 4. Capital Market-Related Complaints



The CMSD places great importance on complaints which relate to potential cases of contravention of the CBB Law, rules and regulations or SRO’s business rules. Supplementing the CBB’s Consumer Protection Unit’s role in handling complaints CBB-wide, the below figure summarizes the complaints which were received and examined by the CMSD in 2021:

**Figure 2**

### Capital Markets' Related Complaints Examined, 2021



## 5. Conclusion

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Following on from 2020, the year 2021 continued to bring about challenges of the pandemic, with its implications felt both locally and globally, fundamentally challenging the financial and operational agility of the global capital markets industry. Despite such disruption, the Central Bank of Bahrain as a whole and its Capital Markets Supervision Directorate in particular, exercised its regulatory flexibility to ensure orderly market functionality whilst simultaneously striving to safeguard market integrity, transparency and investor protection.

In light of this, the CMSD continues to be committed to more carefully consider the appropriate regulatory response to potential breaches of rules or market misconduct. Seeing as each non-compliance or suspected case is unique and involves a variety of different circumstantial elements, the CMSD strives to be as consistent and transparent as possible in the related decision-making. The CMSD's most prevalent role revolves around ensuring effective implementation and enforcement of CBB's regulatory requirements for the capital markets, as such, it continuously seeks to develop and improve its regulatory framework in line with regional and international counterparts. As always, and in line with the findings of this annual report, the CMSD, alongside key stakeholders, will work to further improve standards of compliance in the market, reduce recurrences and overall boost market awareness of its regulatory framework – with the core objective of solidifying the efficiency of Bahrain's capital markets.