GENERAL REQUIREMENTS MODULE

GR-3.1 CBB ~~Non-Objection~~ Approval on Dividends

GR-3.1.1 Bahraini conventional bank licensees must obtain CBB's prior approval for any proposed cash or stock dividend before any public announcements or the Annual General Meeting. ~~a letter of no-objection from the CBB to any dividend proposed, before announcing the proposed dividend by way of a press announcement or any other means of communication and prior to submitting a proposal for a distribution of profits to a shareholder vote.~~

GR-3.1.2 ~~The CBB will grant a no-objection letter where it is satisfied that the level of dividend proposed is unlikely to leave the licensee vulnerable – for the foreseeable future – to breaching the CBB's capital requirements, taking into account (as appropriate) the licensee's liquidity and the adequacy of provisions against impaired loans or other assets.~~

GR-3.1.3 ~~To facilitate the prior approval required under~~ For the purpose of Paragraph GR-3.1.1, conventional bank licensees must ~~subject to GR-3.1.1 must provide the CBB with~~:

(a) Submit the following:
  i. The intended percentage and amount of proposed dividends;
  ii. The impact of proposed dividends on:
    a. Capital Adequacy Ratio (CAR) including the target CAR in the bank's ICAAP taking into consideration planned growth and potential future shocks, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Leverage Ratio (LR) showing the ratios before and after the proposed dividends;
    b. The cash flow position and shareholders' equity level;
  iii. Stress testing results evidencing that the proposed dividends would not lead to any breach of the regulatory requirements (CAR, LCR, NSFR and LR) in the last financial year and the next two years under normal and stressed scenarios;
  iv. A letter of no objection from the bank's external auditor on the proposed dividend.

(b) Satisfy the CBB of the adequacy of impairment provisions during the review of the annual financial statements;

(c) Ensure that any unrealised gains arising from assets or liabilities fair value assessment are excluded from net income in the determination of the proposed dividends, given that CBB does not permit distribution of unrealised profit;

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(d) Ensure that the Other Comprehensive Income is adequate to cover the proposed dividends; and

(e) Ensure that any negative fair value on assets held at amortised cost do not have any material adverse impact on the capital and liquidity positions where such assets may need to be liquidated before maturity to satisfy any financial obligations, including deposit withdrawals.

~~(a) The licensee's intended percentage and amount of proposed dividends for the coming year;~~

~~(b) A letter of no objection from the bank's external auditor on such profit distribution; and~~

~~(c) A detailed analysis of the impact of the proposed dividend on the capital adequacy requirements outlined in Module CA (Capital Adequacy) and liquidity position of the bank.~~

GR-3.2 Repatriation of Profits by Retail Branches of Foreign Banks

GR-3.2.1

Retail branches of foreign banks must comply with the following when repatriating of profits to Head Office:

(a) The gearing ratio stipulated in Paragraph CA-15.7.6, after repatriation;
(b) Satisfy the CBB of the adequacy of impairment provisions during the CBB's review of the annual financial statements;
(c) Obtain a letter of no objection from the bank's external auditor on such profit repatriation;
(d) Ensure that any unrealised gains arising from assets or liabilities fair value assessment are excluded from net income in the determination of the repatriation;
(e) Ensure that the Other Comprehensive Income is adequate to cover the profit repatriation; and
(f) Ensure that any negative fair value on assets held at amortised cost do not have any material adverse impact on the capital and liquidity positions where such assets may need to be liquidated before maturity to satisfy any financial obligations, including deposit withdrawals.