



GENERAL REQUIREMENTS MODULE

CONSULTATION



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MODULE	GR: General Requirements
CHAPTER	GR-3: Dividends

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

GR-3.1.1 Bahraini insurance licensees, other than captive insurers, 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 press announcement or any other means of communication and prior to submitting a proposal for a distribution of profits to a shareholder vote.~~

GR-3.1.1A When submitting a request for CBB's approval letter of no-objection for proposed dividend, the request made by the insurance licensee must:

- (a) Be made at a minimum 3 working days before the proposed announcement;
- (b) Include a copy of the draft audited or reviewed financial statements for the year to which the request for the proposed dividend pertains to; ~~and~~
- (c) Include the intended percentage and amount of proposed dividends; ~~a detailed analysis of the impact of the proposed dividend on the capital adequacy and solvency margin requirements as outlined in Module CA (Capital Adequacy) of Volume 3 CBB Rulebook and the liquidity position of the licensee;~~
- (d) The impact of proposed dividends on:
 - (i) The capital adequacy and solvency margin requirements as outlined in Module CA (Capital Adequacy) of Volume 3 CBB Rulebook before and after the proposed dividends;
 - (ii) The cash flow position and shareholders' equity level before and after the proposed dividends;
 - (iii) Stress testing results evidencing that the proposed dividends would not lead to any breach of the capital adequacy and solvency margin requirements as outlined in Module CA (Capital Adequacy) of Volume 3 CBB Rulebook in the last financial year and the next two years under normal and stressed scenarios;
- (e) Satisfy the CBB of the adequacy of impairment provisions during the review of the annual/interim financial statements;
- (f) 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;
- (g) Ensure that the Total Comprehensive Income is adequate to cover the proposed dividends; and
- (h) 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 Claims Payments.

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GR-3.1 CBB **Non-Objection Approval on Dividends (continued)**

GR-3.1.1B To comply with the requirements of Subparagraph GR-3.1.1A ~~(d)(i) (e)~~, the insurance licensee should complete and submit to the CBB the relevant sections ~~those pages~~ of the Insurance Firm Return (Form IFR) ~~or Insurance Brokers Return (IBR)~~ pertaining to the capital adequacy and solvency margin requirements.

GR-3.1.2 Upon receiving the request in accordance with all the requirements in Paragraph GR-3.1.1A, the CBB will provide a reply to the ~~insurance licensee~~ before the scheduled annual general meeting of the shareholders. 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 financial resources requirements, taking into account (as appropriate) trends in the licensee’s business volumes, expenses, claims experience and investment environment. Where there are major concerns about the potential impact of a proposed dividend, the CBB may require an actuarial report to be provided. ~~[This Paragraph has been deleted in xx 2023].~~

GR-3.1.3 ~~Insurance licensees~~, subject to Paragraph GR-3.1.1, should provide the CBB with a copy of the proposed agenda for the annual general meeting or other special meeting, noting the licensee’s intended declared dividends for the coming year. ~~[This Paragraph has been deleted in xx 2023].~~

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GR-3.2 Repatriation of Profits by Overseas Insurance Licensees

GR-3.2.1 Overseas insurance licensee must comply with the following when repatriating of profits to Head Office:

- (a) The Required Solvency Margin and minimum fund, as defined in Chapter CA-2;
- (b) Satisfy the CBB of the adequacy of impairment provisions during the CBB's 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 repatriation;
- (d) Ensure that the Total Comprehensive Income is adequate to cover the profit to be repatriated; 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 Claims Payments.