



مصرف البحرين المركزي

Central Bank of Bahrain

Compliance and Enforcement Annual Report 2023

For the period ended December 2023



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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"), Capital Market Service Providers ("CMSPs"), Crypto-Asset

Service Providers ("CASPs") and market participants. 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 2022-2023 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.

2. Compliance Status 2023

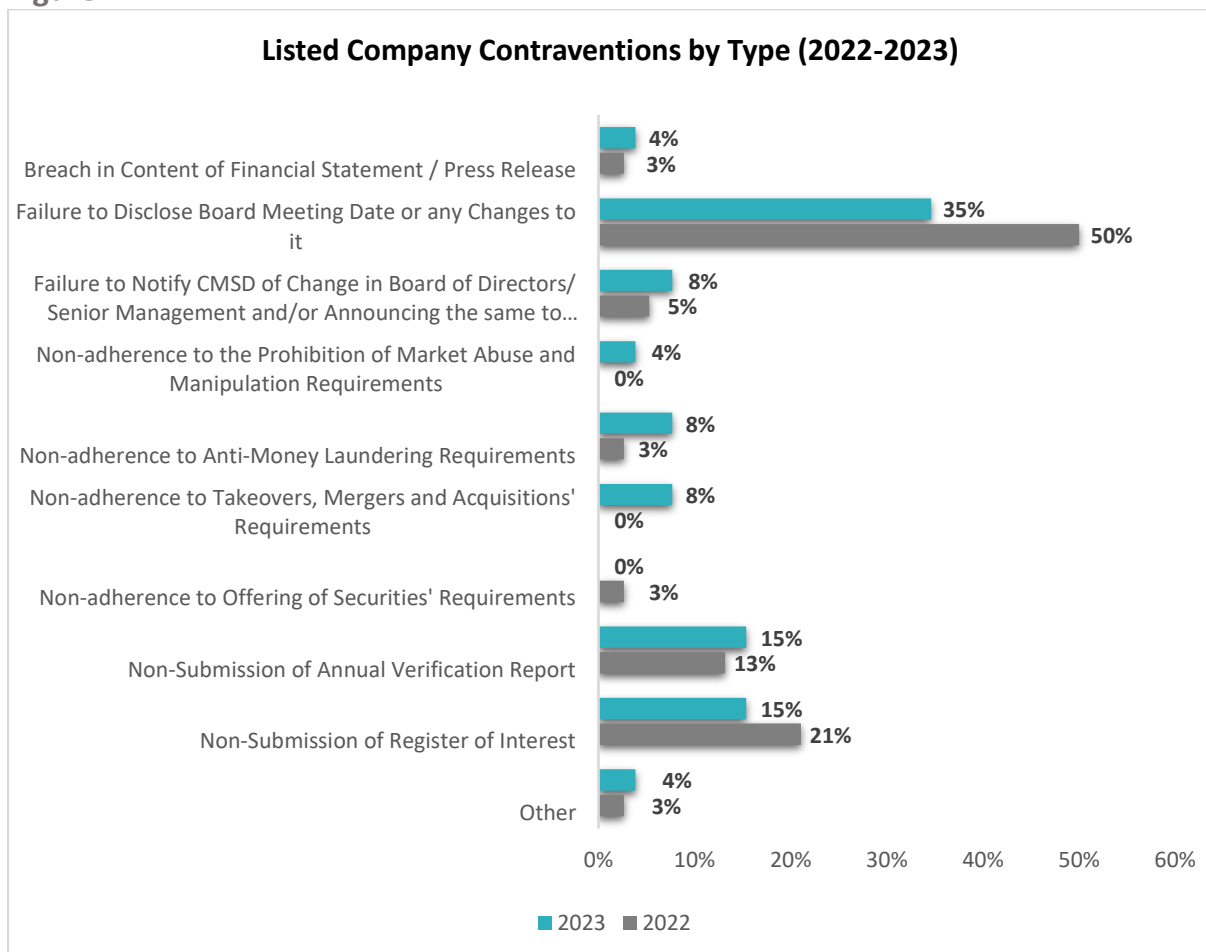
With reference to MIE-3.1.8 of the Market Surveillance, Investigation and Enforcement (“MIE”) Module of Volume 6 of the CBB Rulebook, in deciding on any given regulatory and enforcement response, the CBB is dependent on examining the circumstance of each individual contravention against Law No. (64) 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 2023-2022 across Listed Companies:

Figure 1



As illustrated above, the most common non-compliances across Listed Companies for 2022 were concentrated on the Failure to Disclose the Date or any Change to the Meeting of Board of Directors, making up half of all 2022 contraventions. This is followed by Non-Submission of the Register of Interest which makes up almost a quarter of the contraventions in the year 2022.

Similarly, in 2023, contraventions by Listed Companies in relation to Failure to Disclose the Date or any Change to the Meeting of Board of Directors stand as the highest percentage out of the overall contraventions for the year 2023, which make up 35% of the 2023 contraventions. This is followed by Non-Submission of Annual Verification Report, which has increased by 2% from 2022 and Non-Submission of the Register of Interest, which has decreased by 6% from 2022. Both Contraventions collectively make up a more than a quarter of the 2023 contraventions. Other notable increases in non-compliances include Failure to Notify CMSD of Change in Board of Directors/Senior Management, Non-Adherence to Anti-Money Laundering Requirements, Breach in the Content of Financial Statements/Press Release, Non-Adherence to Prohibition of Market Abuse and Manipulation (“MAM”) Requirements and Non-Adherence to Takeovers, Mergers and Acquisitions (“TMA”) Requirements, among others.

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

Table 1

Listed Company Contraventions by Type (2022-2023)		
Contraventions by Type	2023	2022
Breach in the Content of Financial Statement / Press Release	1	1
Failure to Disclose the Board Meeting Date or any Changes to it	9	19
Failure to Notify the CMSD of the Change in Board of Directors/ Senior Management and/or Announcing the same to the Market	2	2
Non-adherence to the Offering of Securities' Requirements		1
Non-adherence to the Takeovers, Mergers and Acquisitions' Requirements	2	
Non-adherence to the Anti-Money Laundering Requirements	2	1
Non-Submission of the Annual Verification Report	4	5
Non-Submission of the Register of Interest	4	8
Non-adherence to the Prohibition of Market Abuse and Manipulation Requirements	1	
Other	1	1
Non-adherence to the CBB's Disclosure Standards		1
Non-submission of Market Making Reporting Requirements	1	
Grand Total	26	38

As outlined in the above table, total non-compliances by Listed Companies in 2023 (26 contraventions) has decreased from 2022 (38 contraventions) by 31.58%.

- **Temporary Suspension of Trading**

The CBB may decide to suspend securities' trading in the interest of the public and for the protection of investors. Table 2 below denotes the notable suspension cases of 2023:

Table 2

Suspension Cases (2023)			
Nature of Suspension	Listed Company	Date of Suspension	Date of Resumption of Trading
Pending Publication of Financial Results	ARIG	15 th May 2023	8 th June 2023
	APMTB	14 th May 2023	15 th May 2023
	BNH	15 th May 2023	6 th June 2023
	ITHMR	15 th May 2023	7 th June 2023
Commencement of Offer in Relation to the Voluntary Conditional Exit Offer Made by Dallah Albaraka	BARKA	1 st November 2023	<i>N/A – To Be Delisted</i>
Commencement of the Partial Acquisition Offer Made by Gulf Tamin Ltd.	ARIG	19 th December 2023	<i>Suspended until the Completion of the Offer</i>
Grand Total	6		

2.2. Licensed Crypto-Asset Service Providers



With reference to CRA-B.1.2 of the Crypto-Asset (“CRA”) Module of Volume 6 of the CBB Rulebook, the regulatory framework covers rules for the licensing and supervision of CASPs including trading, dealing, advisory and portfolio management in crypto-assets as principal, agent, crypto-asset exchange or custodian. In line with this, during 2023 and from a supervisory standpoint, the CBB addressed the following contraventions to CASPs:

Table 3

CASPs Contraventions by Type (2023-2022)		
Contraventions by Type	2023	2022
Non-adherence to the Marketing and Promotion Requirements		2
Non-Submission of the Financial Statements		1
Non-adherence to the Approved Persons' Requirements		1
Failure to Undertake Due Diligence in Respect of it's Role and Responsibility Concerning a Particular Case	1	
Failure to Promptly Notify the CBB on the Termination of it's Employees		1
Non-Submission of the Professional Indemnity	1	1
Breach in the Process of Listing of the Crypto-Asset		1
Non-adherence to multiple CRA Requirements	1	
Maintaining Client Assets in Exchange Wallets	1	
Receiving Client Funds Through Related Party Bank Account	1	
Failure to Obtain Prior CBB Approval on Business Transfer	1	
Grand Total	6	7

As outlined in the above table, total contraventions by CASPs in 2023 (6 contraventions) has decreased from 2022 (7 contraventions) by 14.29%.

3. Key Case Handling & Escalation

Upon examination, certain contraventions are escalated by referring them to the CBB's Enforcement Decision Review Committee ("EDRC"). The EDRC is the committee constituted by the CBB for the purpose of taking enforcement decisions of material significance. The EDRC makes independent decisions on matters relating to final enforcement actions as per the CBB Law, rules and regulations. Therefore, and subject to the EDRC's approval of the recommended enforcement action, the CMSD undertakes to carry out the same. Given this, the table below details referrals to the EDRC during the years 2022-2023, wherein the number of referrals were 7 in 2022 and 6 in 2023:

Table 4

EDRC Referrals (2022-2023)			
Year	Violator	Subject	Enforcement Outcome*
2022	SRO	Non-adherence to CSD-3.1.1 (b,c,i) of the Clearing, Settlement & Central Depository ("CSD") Module of Volume 6 of the CBB Rulebook	Financial Penalty
	Listed Company	Late Submission of the Annual Verification Report of Key Persons' Register	Per Diem Financial Penalty
	Listed Company	Late Submission of the Annual Verification Report of Key Persons' Register	Per Diem Financial Penalty
	Listed Company	Late Submission of the Annual Verification Report of Key Persons' Register	Per Diem Financial Penalty
	Listed Company	Late Submission of the Annual Verification Report of Key Persons' Register	Per Diem Financial Penalty

EDRC Referrals (2022-2023)

Year	Violator	Subject	Enforcement Outcome*
2023	Licensed CASP	Non-adherence to CRA -10.2.4 (b) of the CRA Module of Volume 6 of the CBB Rulebook	Formal Warning
	Listed Company	Late Disclosure of the Board of Directors' Meeting Date in Relation to the Third Quarter of Year 2022	Per Diem Financial Penalty
	Listed Company	Late Disclosure of the Board of Directors' Meeting Date in Relation to the Annual Financial Statements for the Year 2022	Per Diem Financial Penalty
	Listed Company	Late Disclosure of the Board of Directors' Meeting Date in Relation to the Annual Financial Statements for the Year 2022	Per Diem Financial Penalty
	SRO	Non-adherence to CSD-3.1.1 (b,c,d,i) and CSD-3.2.1 (a,b) of the CSD Module of Volume 6 of the CBB Rulebook	Non-Compliance Letter
	Listed Company	Late Submission of the Annual Verification Report of Key Persons' Register	Per Diem Financial Penalty
	Listed Company	Non-adherence to TMA-4.1.8 of the TMA Module of Volume 6 of the CBB Rulebook	Formal Warning
SRO	Non-adherence to CSD-3.1.1 (b,c,d,g,i) of the CSD Module of Volume 6 of the CBB Rulebook	<i>Under review</i>	

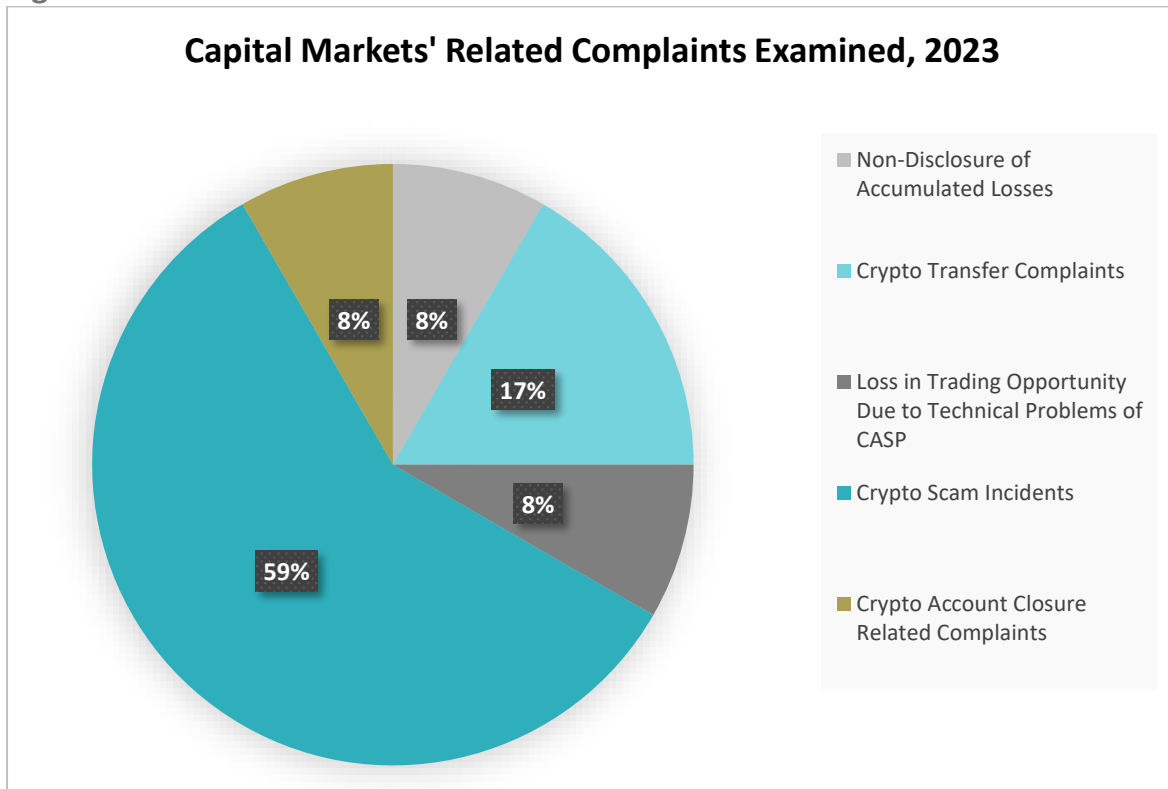
*This is the enforcement action that was issued by the CMSD following the EDRC's approval and/or the Appeals Committee deliberations, where applicable.

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 2023:

Figure 2



5. Conclusion

In conclusion, 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.



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January 2024