



OG/91/2025
18th March 2025

Chief Executive Officer
All Bahraini Bank Licensees
Manama
Kingdom of Bahrain

Dear Sir/ Madam,

Consultation: Proposed Amendments to the Credit Risk Management Module

As part of the Central Bank of Bahrain's ("CBB") objective to develop the financial sector, the CBB is hereby issuing a consultation on the proposed new exposure limit requirements which will replace the large exposure and connected counterparty exposure requirements in Chapter CM-2, Credit Risk Management Module (Module CM), of the CBB Rulebook – Volumes 1 and 2, applicable to all Bahraini bank licensees.

Also attached to this circular is a questionnaire (See Annexure) that licensees should complete for the CBB to get a better understanding of the impact on the licensee's capital adequacy and credit strategy.

The proposed Module shall be available on the CBB website (www.cbb.gov.bh) under the "Open Consultations" Section.

The CBB requests you to provide your response to the consultation questionnaire and any further comments on the proposed Module, including "nil comments" in an editable format to consultation@cbb.gov.bh by 17th April 2025.

Yours faithfully,

Khalid Humaidan
Governor

cc: External Audit Firms
Bahrain Association of Banks



Annexure: Consultation questionnaire

1. How will the proposed changes affect your credit strategy?
2. Will this change help in meeting the market opportunities?
3. Do you have the processes in place to compute the value of the exposures in accordance with Section CM-2.2?
4. Do you agree to the changes in the large exposure limit from 15% to 25%, and the changes to the exposure limits to related parties? Provide rationale for your response.
5. Do you agree with the rationalisation of type and nature of exposures exempt from the large exposure limit?
6. What exposures do you have, if any, that may breach the proposed exposure limits?
7. What changes in credit underwriting policy and processes will you undertake to take into account the change in limits?
8. What other changes in policy and process will you consider accommodating the compliance obligations under the proposed amended rules?
9. How will you address risks relating to related parties and in particular, dealings with the controller?
10. Do you agree that capital add-ons for credit concentration risk should be based on a uniform methodology which is now proposed in the Module? Please compute the capital add-ons under the proposed methodology and provide the CBB with computations and assumptions if any.
11. Please compute the impact of change in exposure limits on your bank's capital adequacy ratio and provide the CBB with the computations.