Central Bank of Bahrain مَصرِفُ البَحرَينِ المَركَزي

OG/306/2026
20th September 2026

Chief Executive Officer
All Bahraini Islamic Banks
Manama
Kingdom of Bahrain

Dear Sir/Madam,

Consultation: Amendments to Volume 2 Capital Adequacy Module (Module CA)- Part 2: Credit Risk

As part of the Central Bank of Bahrain's (CBB) initiatives to enhance its regulatory framework applicable to Islamic banks and to ensure continued alignment with international regulatory standards and best practices for Islamic finance, the CBB is hereby proposing various amendments to Part 2 'Credit Risk' of Module CA of Volume 2 (Islamic banks) and to its appendices.

The consultation paper introduces amendments to the Standardised Approach for Credit Risk to align the CBB's capital adequacy framework with the requirements of the Islamic Financial Services Board's Standard 'IFSB-23'.

Attached hereto are the following documents in this regard:

a) Module CA, Part 2 - Credit Risk;
b) Appendix CA-2, Definitions and General Terminology - Treatment of Counterparty Credit Risk and Cross-product Netting; and
c) Appendix CA-4, Capital treatment for failed trades and non-DvP transactions.

Also attached to this circular is a questionnaire (See Annex) that licensees should complete for the CBB to get a better understanding of the impact and implications of the proposed amendments.

The proposed amendments 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 on the proposed amendments, including "nil comments" in an editable format to consultation@cbb.gov.bh by 20th October 2026.

Yours faithfully,

Khalid Humaidan
Governor

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Annex: Consultation questionnaire

1. How would the proposed changes affect your internal process and systems?

2. Which areas are the most complex for your bank and what systems and processes are needed to address them?

3. Are your IT systems and databases capable of producing the information required? If not, how long would you require to introduce the changes needed?

4. Does your bank have quantitative skillsets to address the complex risk measures in the CA Module?

5. What would be the impact of the changes to the risk weights in different categories of credit risk exposures:

Class of asset	Solo CAR (before)	Consolidated CAR (before)	Solo CAR (after)	Consolidated CAR (after)	Comments
Claims on banks (for SCRA, a rough calculation will suffice)					
Claims on multilateral development banks					
Claims on corporates					
Claims on specialised lending					
Regulatory retail exposures					
Regulatory residential real estate					
Regulatory commercial real estate					
Acquisition, development and construction (ADC) exposures					
Exposures secured by other real estate					
Subordinated debt, Equity and other capital instruments					
Equity investment in funds					
Exposure to covered sukuk					
Off balance sheet instruments					
Shari'a compliant hedging instruments					

6. Do you have exposures that are subject to Chapter CA-4A which deals with Standardised Approach - Counterparty Credit risk (SA-CCR)? If so, what are your plans to ensure you have the appropriate processes in place for the computations of capital charge for such exposures?

7. Do you have exposures that are subject to Chapter CA-8 (of Module CA - Part 3) which deals with Securitisation? If so, what are your plans to ensure you have the appropriate processes in place for the computations of capital charge for such exposures?

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