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**Amended by:**

- Law No. (34) of 2015.
- Law No. (21) of 2016.

**LAW NO. (64) OF 2006**  
**WITH RESPECT TO PROMULGATING THE CENTRAL BANK**  
**OF BAHRAIN AND FINANCIAL INSTITUTIONS LAW**

**We Hamad Bin Isa Al Khalifa,**  
**Kingdom of Bahrain,**

**King of the**

Having examined the Constitution,

And the Law Establishing the Bahrain Monetary Agency, promulgated by  
Legislative Decree No. (23) of 1973, as amended,

And the Penal Code promulgated by Legislative Decree No. (15) of 1976,  
as amended,

And Legislative Decree No. (4) of 1979 Establishing the Housing Bank,

And Legislative Decree No. (3) of 1987 with respect to Compulsory  
Insurance on Civil Liability Arising out of Motor Accidents, amended by  
Legislative Decree No. (7) of 1996,

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\* This copy is translated by Bahrain Economic Development Board (EDB) as per the provisions in force up to January 2019.

\*\*This is an unofficial translation and in the event of any conflict or discrepancy between the English text and the Arabic text, the Arabic text shall prevail.

And Legislative Decree No. (4) of 1987 with respect to Establishing and Organizing the Bahrain Securities Exchange, amended by Legislative Decree No. (21) of 2002,

And the Law of Commerce, promulgated by Legislative Decree No. (7) of 1987, as amended,

And the Bankruptcy and Composition Law promulgated by Legislative Decree No. (11) of 1987,

And Legislative Decree No. (17) of 1987 with respect to Insurance Companies and Organizations,

And Legislative Decree No. (26) of 1996 with respect to Auditors,

And Legislative Decree No. (33) of 2000 with respect to Establishing the Islamic Development Bank Infrastructure Fund Company as a Simple Commandite Company and exempting it from certain provisions of the Commercial Companies Law, promulgated by Legislative Decree No. (28) of 1975 and the Bahrain Monetary Agency Law promulgated by Legislative Decree No. 23 of 1973,

And the Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001,

And Legislative Decree No. (28) of 2002 with respect to electronic transactions,

And Legislative Decree No. (39) of 2002 with respect to the General Budget,

And the Law of Criminal Procedures promulgated by Legislative Decree No. (46) of 2002,

The Shura Council and the Council of Representatives approved the following law, and we have ratified and promulgated it:

**Article (1)**

The provisions of the attached law with respect to the Central Bank of Bahrain and Financial Institutions shall be implemented.

**Article (2)**

The Law Establishing the Bahrain Monetary Agency, promulgated by Legislative Decree No. (23) of 1973, and Legislative Decree No. (17) of 1987 with respect to Insurance Companies and Organizations shall hereby be repealed, as well as any provision inconsistent with the provisions of the attached law.

**Article (3)**

The provisions of the Commercial Companies Law, promulgated by Legislative Decree No. (21) of 2001, shall apply to everything else not provided for in the attached Law.

**Article (4)**

Legislative Decrees, regulations, orders, bye-laws and circulars issued in implementation of the provisions of the Law Establishing the Bahrain Monetary Agency, promulgated by Legislative Decree No. (23) of 1973, Legislative Decree No. (4) of 1987 with respect to Establishing and Organizing the Bahrain Securities Exchange and Legislative Decree No. (17) of 1987 with respect to Insurance Companies and Organizations, in force at the time of promulgation of the attached Law, shall continue to be in force in as much as they are not inconsistent with its provisions.

**Article (5)**

The ministers, each in his respective capacity, shall implement the provisions of this Law, which shall come into effect on the day next to the day of its publication.

**Hamad Bin Isa Al Khalifa**  
**King of the Kingdom of Bahrain**

Issued at Rifa'a Palace  
on 13 Sha'ban 1427 Hijri,  
Corresponding to: 6 September 2006.

**THE CENTRAL BANK OF BAHRAIN**  
**AND FINANCIAL INSTITUTIONS LAW**  
**Preamble**

**Article (1)**

**Definitions**

*“As amended by Law No. (34) of 2015”*

In implementing the provisions of this law, the following terms and expressions shall have the meanings assigned to them below unless the context requires otherwise:

<b>Kingdom:</b>	The Kingdom of Bahrain.
<b>Minister:</b>	The Minister of Finance.
<b>Central Bank or The Bank:</b>	The Central Bank of Bahrain
<b>Board:</b>	The Board of Directors of the Central Bank

**Governor:**

The Governor of the Central Bank.

**Bank:**

- 1) Any corporate body licensed under the terms of this law to accept deposits, advance loans, manage and invest funds with or without providing any other related services.
- 2) Any person licensed under this law to accept, manage and invest deposits and savings according to the Islamic Sharia'a Principles with or without providing other related services.
- 3) Any other licensee as approved by the Central Bank.

**Stock Exchange:**

A market licensed by the Central Bank through which securities can be traded according to the provisions of this law.

**Bahrain Stock Exchange:**

The Bahrain Stock Exchange established by Decree No. (4) of 1987.

**Insurance or Reinsurance Company:**

Any company licensed under this law to enter into and implement insurance, reinsurance, Takaful or re-Takaful contracts.

**Actuary:**

Any person specializing in insurance calculations and is duly accredited by an internationally recognized authority.

**Insurance Consultants:**

Any person who provides expert consultancy services in the insurance sector, particularly in the area of risk management and assessment, and who can evaluate the assets and liabilities of insurance and reinsurance companies as well as the rights and liabilities of both the insurer and the insured.

**Surveyors and Estimators:**

Any person, who inspects and estimates damages and investigates the causes, determines the extent of coverage by the insurance policies, submits proposals to improve the methods of protection against risks and preserve the assets subject of insurance.

**Insurance Brokers:**

Any person acting on behalf of the insured in insurance contracts with insurance companies subject to the provisions of this law.

**Insurance Company Agent:**

Any person who acts on behalf of an insurance company in marketing its services and dealing with the insured.

**Long-term Insurance:**

Means life insurance and fund accumulation.

**Long term Insurance:**

Life insurance and insurance associated with deposit taking projects for specific purposes.

**Long-term Insurance Companies:**

Insurance companies licensed for long term insurance services.

**Insurance Policyholder:**

The person who, in a given time, is the legal holder of an Insurance Policy including any beneficiary who, under the Insurance Policy, is entitled to a cash payment, a regular payment or any other financial compensation due because of an accident or if the risk specified in the policy has occurred.

**Portfolios and Investment Funds:**

Investment schemes offered and marketed in the form of negotiable securities mainly originated for the purpose of raising funds from the public and investing them in specific schemes on the basis of risk distribution. Shares in such schemes shall be directly or indirectly re-purchased, redeemed or repaid for from the assets of the scheme and according to the interest of the investors in any of such scheme.

<b>Financial Institutions:</b>	<b>Sector</b>	<b>Support</b>	The institutions licensed to operate clearance houses and, settlement of payments, cheques and securities, provide Credit Information services, and any other ancillary services that are related to the financial services industry.
<b>Financial Institutions:</b>			Banks, insurance companies, companies dealing in securities, portfolios and investment funds, financing companies, money exchange companies, money brokers and mediators, insurance brokers, mediators of the securities market, consultancy firms dealing in the financial service industry, credit rating firms, Bahrain Securities Market, capital markets, and precious metals and strategic commodities markets, financial sector support institutions, including institutions licensed to provide financial services according to Islamic Sharia'a principles.
<b>Financial Services Industry:</b>			All activities carried out by the financial institutions.



**Transfer of Business:**

The transfer of all or part of the business activities, carried out by any licensee, to others together with any associated rights and liabilities.

**Deposits:**

Deposits which are determined by a resolution to be issued by the Central Bank.

**Government Debt Instruments:**

Bonds, warrants, notes and other debt instruments issued by the Government, its agencies or by other public bodies, whose liabilities are guaranteed by the Government.

**Securities:**

Shares and bonds issued by shareholding companies, Government debt instruments, and such other financial instruments as the Central Bank may approve as securities.

**Listing Rules:**

The rules issued by the Central Bank to regulate the listing and trading of Securities on the Stock Exchange.

**Listed Company:**

Any company whose securities are listed in the Stock Exchange according to Article (86) of this law.

**Loan:**

Money advanced by a lender to others, to be repaid at a later date, with or without interest.

<b>Market Contract:</b>	A contract concluded in accordance with the regulations of the Central Bank and Paragraph (a) of Clause (108) of this law.
<b>Market Maker:</b>	Any person licensed by the Central Bank to sell and buy in the Stock Exchange to encourage trading in this market.
<b>Regulated Services:</b>	Has the meaning set out in Article (39) of this law.
<b>Netting:</b>	Means the conversion of a group of claims and obligations of any licensee into one net debit or credit balance.
<b>Settlement System:</b>	Means a system for the settlement of any party's payments or obligations arising from transactions in cheques and securities.
<b>Payment System:</b>	Means any system for the settlement of cash payments or bank transfers between licensees.
<b>License:</b>	Means any person licensed by the Central Bank to provide any of the regulated services.
<b>Foreign Authority:</b>	Means:

- a) The authority involved in the regulation of the financial service markets in another country.
- b) Any foreign central bank or body with the authority of issuing money or responsible for supervising payment systems, clearances, or cheques and financial papers settlement.

**Person:**

Any natural or corporate person.

**PART 1**

**CENTRAL BANK OF BAHRAIN**

**Chapter 1**

**Establishment and Administration of the Central Bank**

**Article (2)**

**Establishment of the Central Bank**

- a) A public corporate person called the “Central Bank of Bahrain” shall be established in accordance with the provisions of this law and shall be administratively and financially independent.
- b) The Central Bank’s headquarters shall be situated in the city of Manama, and it may open branches in Bahrain and abroad, establish subsidiaries and appoint agents and representatives, both inside and outside the Kingdom, in order to assist it achieve any of its objectives stated in this law.

- c) The Central Bank shall have an independent budget, to be prepared on a commercial basis, and shall conduct its business according to commercial banking principles. It shall also perform its duties without being subject to the government administrative and financial regulations. The Central Bank shall not be subject to the provisions of any other law, which imposes prior controls on its business.
- d) The role of the National Audit Court in auditing the activities and accounts of the Central Bank shall be limited to the audit of the accounts and the assets of the Central Bank, without any interference, in any form, in its activities or policies. The technical employee assigned by the National Audit court to audit the accounts of the Central Bank must be adequately qualified and specialized in the banking business.

### **Article (3)**

#### **Objectives of the Central Bank**

The Central Bank shall pursue the following objectives within the framework of the general economic policy of the Kingdom in a manner that enhances and develops the national economy:

- 1) Set and implement the monetary, credit and other financial sector policies for the Kingdom.
- 2) Provide effective central banking services to the Government and the financial sector of the Kingdom.
- 3) Develop the financial sector and enhance confidence therein.
- 4) Protect the interests of depositors and the customers of the financial institutions, and enhance the Kingdom's credibility as an international financial centre.

### **Article (4)**

**Duties and Powers of the Central Bank**  
*“As amended by Law No. (21) of 2016”*

The Central Bank shall assume the following duties and powers:

- 1) Issue currency in accordance with the provisions of this law.
- 2) Liaise with the Ministry of Finance and other relevant official bodies for the purpose of drawing and implementing the appropriate monetary policies to achieve the Kingdom’s general economic goals, maintain the stability of the Bahraini currency and the monetary system.
- 3) Take appropriate measures to counter adverse local, regional or international economic conditions.
- 4) Regulate, develop and license the Services stated in Article (39) of this law, and exercise regulatory control over institutions that provide such services;
- 5) Act as banker to the Government within the limits set out in this law.
- 6) Advise the Government on issues pertaining to financial and economic affairs.
- 7) Manage the Government’s reserves of gold and foreign currency.
- 8) To act, in coordination with the Ministry of Finance, as the financial agent for the Government at the International Monetary Fund and the International Bank for Reconstruction and Development as well as other Arab and international monetary institutions and funds, and perform all Government dealings with these organizations.
- 9) Facilitate and encourage innovation in the financial services industry.
- 10) Safeguard the legitimate interests of licensees’ customers against the risks associated with the financial services industry.
- 11) Perform any other duties as stipulated in this law.
- 12) Carrying out any other services for the purpose of realizing its objectives or contributing to the development of the financial sector and the financial services industry in the Kingdom.

## **Article (5)**

### **The Board of Directors**

- a) The Central Bank shall have a Board of Directors formed of seven members, including a representative of the Ministry of Finance. Members of the Board shall be appointed by a Royal Decree for a renewable term of four years. The Decree appointing the members shall name the Chairman and the Vice chairman of the Board.
- b) The remunerations of the Chairman and the members of the Board shall be determined by a Decree.

## **Article (6)**

### **Conditions of Membership**

A member of the Board shall satisfy the following conditions:

- 1) He shall be a Bahraini national.
- 2) He shall be entitled to fully exercise his civil and political rights.
- 3) He shall be experienced in the financial services industry.
- 4) He shall not have any conviction of a crime involving dishonesty.
- 5) He shall not be a holder of more than 5% of the capital of, or voting rights in, any Licencee.
- 6) He shall not hold a position with any Licencee.
- 7) He shall not have been declared bankrupt.

## **Article (7)**

### **Meetings and Proceedings of the Board**

- a) The Board shall meet at least four times every year by invitation from the Chairman. The Board meeting shall have a quorum of at least four members, including the Chairman or the Vice Chairman.

- b) Resolutions of the Council shall be adopted by an absolute majority of votes of the members present. In case of a tie, the Chairman shall have the casting vote.
- c) Any member who has a personal interest in any transaction of which the Central Bank is a party, shall declare such an interest and shall not attend the meeting in which such transaction is discussed.
- d) The Board may seek the assistance of experts and shall invite to its meetings, for consultation without voting rights, any persons whose opinion it wishes to hear on a particular matter.

### **Article (8)**

#### **The Powers of the Board**

The Board shall supervise the affairs of the Central Bank, lay down its policies and shall exercise all powers necessary to achieve the objectives of the Central Bank as set out in the provisions of this law.

The Board shall, in particular, carry out the following:

- 1) Draw the Central Bank's monetary, credit and investment policies, and all other policies relating to the financial sector.
- 2) Oversee the business of the Central Bank and ensure that all duties stipulated in this law are carried out effectively.
- 3) Determine matters relating to the issue and recall of currency.
- 4) Approve government borrowing in exceptional circumstances according to the provisions of this law.
- 5) Approve the annual budget of the Central Bank and any amendments thereto.
- 6) Approve the final accounts of the Central Bank.
- 7) Approve the annual report of the Central Bank's activity.
- 8) Issue resolutions and regulations stipulated in this law.
- 9) Approve the internal regulations of the Central Bank.

- 10) Approve the financial and administrative regulations regarding the Central Bank's personnel. In doing so it shall not adhere to the rules of the civil service.
- 11) Deal with such other matters that may fall within the powers of the Board under this law.

### **Article (9)**

#### **Termination of Board Membership**

- a) Membership of the Board shall terminate automatically upon the expiry of its specified term or upon the death or resignation of a member.
- b) Membership may, upon recommendation of the Board, be terminated, prior to the expiry of the term thereof, if a member:
  - 1) Has seriously neglected his duties,
  - 2) Has violated any of the membership conditions,
  - 3) Is no longer capable of performing his duties for any reason.
  - 4) Failed to attend three consecutive Board meetings without a permission or an acceptable excuse.

### **Article (10)**

#### **Governor and Deputy Governor**

- a) The Central Bank shall have a Governor, of ministerial rank, who shall be responsible for implementing its policies and assume the day-to-day management of its affairs. The Governor shall be directly accountable to the Board, who shall determine his monthly remunerations.
- b) The Central Bank shall have one or more Deputy Governors, of undersecretary rank, to assist the Governor in the management of the Central Bank's affairs and assume responsibilities on a temporary basis if the Governor is absent or if his



position becomes vacant. The Board shall determine the monthly remunerations of the Deputy Governor.

- c) The Governor is appointed by a Royal Decree for a renewable 5-year term of office on the recommendation of the Board.
- d) The Deputy Governor shall be appointed by a Royal Decree upon a recommendation of the Board.
- e) The Governor shall be the legal representative of the Central Bank before the law and others, and shall have the power to sign all documents, contract and papers on its behalf. He shall be responsible for the implementation of this law, the Central Bank's regulations and the Board's resolutions. The Governor may delegate, in writing, some of his powers to his Deputy or other senior staff.
- f) The Governor shall assume the duties and powers of the Minister of Commerce stated in the Legislative Decree No. (3)of 1987 with respect to Compulsory Insurance for the Civil Liability of Car Accidents, amended by the Legislative Decree No. (7)of 1996, and such powers as stipulated in Article (197) of the Commercial Companies Law issued by Legislative Decree No. (21) of 2001, regarding the dissolution of the board of directors of licencees.
- g) The Governor shall appoint the officials of the Central Bank in accordance with the financial and administrative regulations related to the staff of the Central Bank and shall observe the Bank's requirements of effective operation.
- h) The Governor and the Deputy Governor shall devote their time to working at the Central Bank. None of them shall, during his tenure of office, be a board member of any licencee or take, with or without payment, any position or employment with others. As an exception of the above, the Governor and the Deputy Governor may participate in committees and boards of directors of institutions and organizations formed or supervised by the Government or international financial institutions and organizations.

## **Chapter 2**

### **Capital and General Reserve**

#### **Article (11)**

##### **Capital**

- a) The authorized capital of the Central Bank shall be Bahraini Dinars Five hundred million (BD 500,000,000).
- b) The paid up capital of the Central Bank shall be Bahraini Dinars Two hundred million (BD 200,000,000).
- c) The authorized capital and the paid up capital may be increased by a royal decree.
- d) The Government shall pay the capital of the Central Bank in full and shall be the sole owner thereof.

#### **Article (12)**

##### **General Reserve**

- a) The Central Bank shall maintain on its books an account designated as the “General Reserve” which shall be credited with percentages of its net profits at the end of each financial year in the following order:
  - 1) 100% of the Bank’s net profit until the amount of the general reserve reaches 25% of the authorized capital of the Central Bank.
  - 2) 50% of the net profit until the amount of the general reserve is equal to the authorized capital of the Central Bank.
  - 3) 25% of the net profit until the amount of the general reserve is double the amount of the authorized capital of the Central Bank.
- b) Any net profit remaining after such allocation in accordance with the preceding paragraph and Article (21) of this law shall be transferred to the Kingdom’s

general account within three months of the date of approval of the Bank's final accounts.

- c) The Board may decide at any time to increase the amount of the general reserve over the amount stipulated in this Article.
- d) In implementing the rules of this Article and Article (21) of this law, the term "Net Profits" means the net profits of the Bank in a specific financial year according to the approved final accounts.
- e) The Board may approve payments from the general reserve at such times and for such purposes as it determines.

### **Chapter 3 Currency**

#### **Article (13)**

##### **Unit of Currency**

The standard unit of currency in the Kingdom is the Bahraini Dinar. The Dinar is divided into 1,000 fils.

#### **Article (14)**

##### **Currency Issue**

- a) The Central Bank is the exclusive authority to issue currency in the Kingdom. No other person shall issue banknotes, coins, bills or warrants, payable to bearer upon demand, that have the appearance of currency or may be interpreted as currency.
- b) Currency issued by the Central Bank shall be in such denominations, forms, specifications and designs as approved by the Board and published in the official Gazette.

- c) Currency notes issued by the Central Bank shall be legal tender for the full value thereof. Coins shall be legal tender for their nominal value up to five (5) Bahraini Dinars. However, the Bank shall accept all currencies tendered without limitation.
- d) The Central Bank shall reissue and replace currency without levying any fees or commission.

### **Article (15)**

#### **Production of Notes and Coins**

- a) The Central Bank shall be solely responsible for the printing of bank notes and minting coins and all matters incidental to the production of the Central Bank's notes and coins.
- b) The Central Bank shall make the necessary arrangements for the storage of stocks of unissued and returned currency, for the safekeeping of the dies and plates of issued currency and for the destruction of currency and of dies and plates of currency no longer in circulation.

### **Article (16)**

#### **Withdrawal of Currency from Circulation**

- a) The Central Bank may withdraw any currency it has issued against payment of the face value thereof by publishing a notice to that effect in the Official Gazette and two local daily newspapers, one published in English and the other in Arabic language.
- b) A notice for withdrawal of currency shall specify the following:
  - 1) The currency to be withdrawn.
  - 2) A period of a minimum of thirty days during which the relevant currency can be surrendered.

- 3) Any additional conditions regarding such withdrawal.
- c) After the end of the Surrender Period any currency to which the notice applies shall cease to be legal tender.
- d) Without prejudice to the preceding paragraph, the Central Bank may, in a notice published under paragraph (a) of this Article, allow the payment of the face value of such withdrawn currency at its discretion.

### **Article (17)**

#### **Redemption of Currency in Circulation**

- a) The Central Bank shall redeem currency in circulation without levying any charge or commission.
- b) The Central Bank may issue regulations specifying the conditions for redemption of damaged, torn or mutilated currency and the recovery of the face value thereof in whole or in part.
- c) No person shall have the right to redeem or recover from the Central Bank the value of lost or stolen currency.

### **Chapter 4**

#### **Parity-Rate and Foreign Reserve And Exchange Transactions**

### **Article (18)**

#### **Parity Rate**

- a) Subject to the obligations of the Kingdom under any international agreement of which it is a party, the Board may adopt a resolution to fix or change the parity-rate of the Bahraini Dinar against any convertible currency or any recognized standard of an international unit of currency.

- b) Any change in the parity-rate of the Bahraini Dinar shall be published by the Central Bank in the Official Gazette and in one English and one Arabic local daily newspaper published in the Kingdom.
- c) The Central Bank may use whatever means deemed appropriate for the purpose of maintaining the parity-rate including buying and selling of gold or convertible currencies.

### **Article (19)**

#### **Foreign Reserve**

- a) The Central Bank shall, upon the terms and conditions set by a resolution issued by the Board, maintain a foreign reserve comprised of all or any of the following assets:
  - 1) Currencies and gold bullion.
  - 2) Foreign convertible currencies, or balances of convertible currencies in foreign banks.
  - 3) Any internationally recognized assets including the gold part of the Kingdom's share in the International Monetary Fund and the Special Drawing Rights allocated to the Kingdom in the International Monetary Fund;
  - 4) Bills of Exchange and Promissory Notes payable outside the Kingdom in convertible currencies;
  - 5) Treasury Notes issued by foreign governments and payable in convertible currencies
  - 6) Bonds specified by the Board, issued or guaranteed by foreign governments or international financial institutions, provided that they are payable in convertible currencies.

- 7) Other Bonds as the Board shall determine, issued by a foreign entity provided that they are negotiable in international financial markets and payable in convertible currencies.
- 8) Any other assets valued in foreign currencies approved by the Board.
- b) The amount of foreign exchange reserve permanently maintained by the Central Bank shall not be less than 100% of the value of the currency in circulation.
- c) In exceptional circumstances, the minimum amount of the Foreign Exchange Reserve may be changed by a resolution issued by the Board, provided that such minimum shall not be less than 75% of the value of the currency in circulation.

#### **Article (20)**

##### **Foreign Exchange Transactions**

- a) The Central Bank may buy, sell and deal in gold coins and bullion, foreign currencies, treasury notes and other bonds and to open and maintain accounts abroad, and to act as an agent or correspondent for foreign central banks or similar institutions as well as for foreign governments and international financial institutions.
- b) The Central Bank shall carry out any of the transactions referred to in the preceding paragraph in accordance with such terms and conditions as the Board may determine.

#### **Article (21)**

##### **Contingency Reserve**

- a) A percentage of the net profits of the Central Bank determined by the Board shall be credited at the end of each financial year to a special account to be entitled the “Contingency Reserve”.

- b) The sums standing in the credit of the Contingency Reserve can be used for such purposes that serve the objectives of the Central Bank as determined by the Board from time to time.

### **Article (22)**

#### **Revaluation Reserve**

- a) All profits resulting from the revaluation of the Central Bank's assets or liabilities in gold or foreign currencies as a result of any change in the parity-rate of the Bahraini Dinar or the rate of exchange of the Central Bank's assets of such currencies, shall be entered in a special account to be entitled "Revaluation Reserve Account".
- b) Losses resulting from any change in the value of the Central Bank's assets or liabilities of gold or foreign currencies shall be covered from the credit balance of the Revaluation Reserve Account. If such balance is insufficient to cover such losses, the Government may issue bonds in favour of the Central Bank for the value of the deficit and such bonds shall be interest-free and non-transferable.
- c) The Central Bank shall use any credit balance in the Revaluation Reserve Account at the end of each financial year to redeem any bonds it has issued in accordance with the provisions of the preceding paragraph.
- d) The revaluation under this Article shall be carried out at least once every year at such time as the Board may determine.
- e) Any entries in the assets or liabilities of the Revaluation Account shall only be made in accordance with this Article.

## **Chapter 5**

### **Relations with the Government and International Monetary Institutions**

### **Article (23)**



### **Financial Agent of the Government**

- a) The Central Bank shall be the banker to the Government and shall act as its financial agent. It is the place where the government deposits its funds.
- b) The Central Bank may provide the services referred to in the previous paragraph to Government organizations and agencies and other public bodies.
- c) As an exception from the provisions of paragraph (a) of this Article, the Government may open and maintain accounts with any commercial bank and utilize the services of such banks under such terms and conditions as shall be agreed upon between the Minister and the Central Bank.
- d) The Central Bank shall receive and disburse government funds and shall keep the relevant accounts without collecting any charges or interest for such services. The Central Bank shall not pay any interest on the Bahraini Dinars credit balances of the Government.

### **Article (24)**

#### **Administration of National Debt**

- a) The Central Bank shall, in consultation with the Minister, administer the National Debt through any of the following means:
  - 1) Procedures for the issue of Government Debt Instruments.
  - 2) Redemption of Government Debt Instruments in accordance with the terms thereof.
  - 3) Interest payment procedure for Government Debt Instruments.

### **Article (25)**

#### **Loans to Government**

- a) The Central Bank may advance loans to the government in exceptional circumstances to cover any seasonal or unforeseen deficit in the National Budget or to provide liquidity in emergencies on the following conditions:

- 1) Loans advanced to the government shall be repaid within three months immediately following the end of the fiscal year during which such loans were granted.
  - 2) The aggregate of loans shall not exceed 25% of the approved National Budget of the Kingdom for the fiscal year during which such loans were granted.
  - 3) Loans shall be made on such terms and conditions as the Board may determine.
- b) The Central Bank may, subject to the Minister's approval, grant loans and credit facilities to government agencies or public bodies on the terms and conditions stipulated in the preceding paragraph.

#### **Article (26)**

##### **Public Debt Instruments Transactions**

The Central Bank may buy, sell and deal in government debt instruments offered for public subscription if such instruments are not fully subscribed.

#### **Article (27)**

##### **Relations with International Financial Institutions**

The Central Bank shall be the financial agent, custodian and agency through which all the operations with the international financial institutions, of which the Kingdom is a member, shall be transacted.

#### **Article (28)**

##### **Tax and Fees Exemption**

The Central Bank's capital, property, transactions and profits shall be exempt from all taxes and fees.

### **Chapter 6**

## **Central Bank's Transactions and Investments**

### **Article (29)**

#### **Permitted Transactions**

- a) The Central Bank may carry out any of the following transactions with financial institutions:
- 1) Buy, sell, discount and re-discount bills of exchange and promissory notes.
  - 2) Buy, sell and otherwise in the government debt instruments.
  - 3) Buy, sell and otherwise deal in the assets mentioned in Article (19) (a) of this law.
  - 4) Grant credit facilities in the ordinary course of business and also the exceptional circumstances for the purpose of assisting financial institutions overcome any serious shortage of liquid money or any risk to their financial situation.
  - 5) Borrow money or any other assets.
  - 6) Open and maintain accounts for financial institutions and accept their deposits upon the terms and conditions to be determined by the Governor.
- b) The Central Bank may perform the following:
- 1) Act as agent or correspondent bank for foreign central banks, similar monetary institutions, foreign governments or their bodies or international financial institutions.
  - 2) Open accounts to any other person, except those mentioned in the preceding item, upon the approval of the Board in order to encourage participating in the financial activity of the Bank.
  - 3) Extend loans to its employees upon the terms and conditions stated in the regulations issued by the Board

- 4) Do all such other acts that are ancillary, incidental or consequential to any of the transactions mentioned in this Article and as determined by the Central Bank.

### **Article (30)**

#### **Investments**

The Central Bank shall invest its capital and reserves according to the asset investment policies set by the Board. The Central Bank may appoint one or more fund managers to administer its investments.

### **Article (31)**

#### **Prohibited Transactions**

Except as otherwise provided for in this law, the Central Bank shall not:

- 1) Engage in trade or participate in any financial, commercial, agricultural, industrial or other undertaking except for such activities as the Central Bank may deem necessary to achieve its objectives.
- 2) Purchase, or retain title to, real estate except for the conduct of the Central Bank's business and for the housing of its employees.
- 3) Advance unsecured loans.
- 4) Advance loans upon security other than that provided for under this law. However, if the ability of a debtor to repay any debt due to the Central Bank is doubtful, the Central Bank may accept movable assets, real estate or other property as security for payment. The Central Bank shall sell such property, possessed as a result of the debtor's failure to pay the debt, as soon as market conditions permit.
- 5) Accept shares or convertible public debt instruments as collateral.

## **Article (32)**

### **Other Functions of the Central Bank**

- a) The Central Bank may establish one or more clearinghouses and may assign the management thereof to a third party.
- b) The Central Bank may issue regulations regarding the settlement and clearing systems of cheques and other securities.
- c) The Central Bank may:
  - 1) Set up a currency museum at such a location as the Board may determine.
  - 2) Organize or participate in conferences, seminars or other public events in and outside the Kingdom in order to develop the financial sector and the financial service industry.
  - 3) Issue and sell memorial coins and medals.

## **Chapter 7**

### **Accounts of the Central Bank**

## **Article (33)**

### **Financial Year**

The financial year of the Central Bank shall be the same as the Government's financial year.

## **Article (34)**

### **The Budget**

- a) The Central Bank shall have an independent budget and shall keep audited accounts for each financial year.
- b) The Governor shall prepare a budget for each financial year and submit it to the Board for approval prior to the commencement of the financial year.

- c) The Board shall approve the budget before the commencement of the new financial year. If the approval of the budget is delayed beyond the commencement of the financial year, the Central Bank shall operate within the previous year's budget until the new budget has been approved.

### **Article (35)**

#### **Auditing of Accounts**

- a) An external auditor shall audit The Central Bank's accounts. The appointment and fees of such auditor shall be decided by the Board in coordination with the National Audit Court.
- b) The auditor shall prepare a report on the final accounts.
- c) The Central Bank shall provide the external auditor with all necessary information and facilities to enable him to prepare the report referred to in paragraph (b) above.
- d) Save as provided for in this Article, the Central Bank's accounts shall not be subject to any other external audit.

### **Article (36)**

#### **Reports and Approval of Final Accounts**

- a) The Governor shall, within three months immediately following the end of the financial year, present to the Board a report on the operations of the Central Bank during the preceding financial year, together with a copy of the audited final accounts of the Central Bank and the external auditor's report.
- b) The Central Bank shall submit copies of the annual report of the Central Bank, the final audited accounts after being approved by the Board, and the external auditor's report to the Council of Ministers

- c) The Bank shall submit copies of the external auditor's report and the approved final accounts, to the National Audit Court.
- d) The Central Bank's final accounts, approved by the Board, and the auditor's report shall be published in the Official Gazette.

## **Chapter 8**

### **Regulations, Resolutions, Directives and Notices**

#### **Article (37)**

##### **Regulations and Resolutions**

- a) The Board shall issue Regulations to organize the Central Bank's bids and purchases. Such regulations shall ensure transparency, safeguard the Central Bank's money, enhance honesty and competition based on equal opportunities, and encourage participation in bids and purchases of the Central Bank. In this regard the Central Bank shall not be subject to the law organizing government bids and purchases.
- b) The Governor shall issue the necessary regulations and resolutions for the implementation of this law, except such regulations and resolutions, which the law clearly states that they are the responsibility of the Board.
- c) Such regulations and resolutions shall only be valid after they are published in the Official Gazette and may also be published through any other media, including electronic means, to ensure proper circulation.
- d) Drafts regulations and resolutions shall be publicized through any suitable means to ensure that the addressees are aware of such regulations and are able to comment on them. Such circulars shall include reasonable deadlines for receiving such comments. Regulations and resolutions issued under necessity conditions, as determined by the Central Bank, are excluded.

- e) Before issuing any proposed regulations and resolutions, the Central Bank must review and consider any comments made on them.

### **Article (38)**

#### **Directives**

- a) The Governor shall issue the necessary directives to ensure the implementation of this Law, any regulations issued in accordance to this Law and the achievement of the objectives of the Central Bank. Such directives shall be legally supported and the intended addressees shall be identified.
- b) The Governor may issue directives that aim to facilitate the understanding and implementation of this law and any regulations thereof. He may also issue directives regarding other matters, as he deems appropriate to serve the objectives of the Central Bank.
- c) The directives shall be circulated through the means approved by the Governor. Once circulated to the intended addressees, the directives become binding.

## **PART 2 THE FINANCIAL INDUSTRY**

### **Chapter 1 Regulation of the Industry**

### **Article (39)**

#### **Regulated Services**

- a) For the purposes of this law, Regulated Services shall mean the financial services provided by the financial institutions, including those governed by Islamic Sharia principles.



- b) The Central Bank shall issue regulations specifying the Regulated Services and organizing the provision of these services. The Central Bank shall supervise and control any licencees providing such services.

#### **Article (40)**

##### **Carrying out of Regulated Services**

- a) No person shall carry out a Regulated Service in the Kingdom unless licensed by the Central Bank.
- b) With due regard to the provisions of the Commercial Companies Law, no financial institution shall be established in the Kingdom without the approval of the Central Bank.

#### **Article (41)**

##### **Restriction on the use of Certain Names and Expressions**

- a) No person other than a financial institution licensed for the provision of banking services shall use, in any language, the term 'bank' or any synonym thereof, or an expression, address, invoice, notices or headed papers, which may be understood to mean that such person provides banking services.
- b) No person other than a financial institution licensed for the provision of insurance or reinsurance services shall use, in any language, any term or expression, which may be understood to mean that such a person, is a provider of any such service. Also, no person other than those registered in the register stated in Article (74) of this law shall use, in any language, any term or expression that may be understood to mean that such person is providing any expert service in the area of insurance business, brokerage, that he is a representative of an insurance company or engaging in any other activity related to insurance.

## **Article (42)**

### **Marketing & Investment**

The Central Bank may issue regulations to prohibit or restrict the marketing of or investing in the Regulated Services by any unlicensed person.

## **Article (43)**

### **Invalid Agreements**

No person may enter into any agreement in breach of the provisions of Articles (40) and (42) of this law or the Regulations and Directives issued pursuant to the implementation of these provisions. Any such agreement or act shall be void and invalid.

## **Chapter 2**

### **Procedure for Licensing, Amendment and Termination of Licences**

## **Article (44)**

### **Application for a Licence**

- a) Any person who wishes to provide a Regulated Service must apply for a license from the Central Bank.
- b) An application must contain such particulars and information and accompanied by such documents as specified by the Central Bank.
- c) Subject to the Commercial Companies Law, the Central Bank shall issue regulations specifying the requirements for offering a licence to provide Regulated Services. Such requirements may include the legal form of the applicant, the location of its head office, the minimum capital and reserve requirements and the limits of capital adequacy requirements.

- d) The Central Bank shall verify the application for a license to ensure that it satisfies all the conditions required, and it may ask for amendments or any additional information that it requires to assist with reaching its decision regarding the application. Such request shall be made within thirty days from the date of submission.
- e) The Central Bank shall decide on the application within sixty days from the date of receiving the application complete with all the required information and documents.
- f) The applicant may, at any time before a decision has been made about the application, withdraw his application or make amendments to any errors therein or in the supporting documents in accordance with the Regulations issued by the Central Bank in this respect.

#### **Article (45)**

##### **The Granting of a Licence**

- a) The Central Bank shall grant a licence to the applicant if he satisfies all the conditions set out in this law and any Regulations issued pursuant thereto.
- b) The Central Bank may specify in the license the place at which the licensed Regulated Services to be provided and impose such terms and conditions on the Licencee as it deems necessary for a proper performance of the Regulated Services.
- c) The Central Bank shall keep a register entitled the “Register of Licensed Financial Institutions” on which all applications and supporting documents for licenses and any actions taken on them shall be recorded.

#### **Article (46)**

##### **Rejection of Application**

- a) The Central Bank shall issue a decision with the reason for rejecting an application for a licence if it does not satisfy the conditions provided for in this law or its regulations. In such case, the Central Bank shall notify the applicant in writing of the following:
  - 1) The refusal to grant the licence and the reasons for such refusal.
  - 2) The period of time during which the applicant may appeal to the Central Bank, which shall not be less than thirty days from the date of the notice.
- b) The Central Bank shall decide on the appeal made by the applicant and notify him of its decision within thirty days from the date of submission of the appeal. Where an appeal has been refused, the applicant may re-appeal to the Board within thirty days from the date on which he was notified of the refusal, or upon the expiry of the deadline on which he was supposed to receive a decision on his appeal. The decision of the Board shall be final and binding. The applicant shall be notified by the Board's decision during a period not exceeding 90 days from date of his appeal to the Board.
- c) The applicant whose appeal has been rejected may appeal to a competent court in the Kingdom within sixty days from the date of notification of such decision or the expiry of the deadline specified for the decision and no notification was received.

#### **Article (47)**

##### **Publication of the Decision to Grant a Licence**

- a) The Central Bank shall publish its decision to grant a licence in the Official Gazette and in two local newspapers, one published in Arabic and the other in English.
- b) The Licencee must at all times keep an approved copy of the licence displayed in a visible place on the Licencee's premises in the Kingdom.

## Article (48)

### **Amendment and Revocation of Licence**

- a) The Central Bank may, upon a request by a Licencee, amend the conditions of a licence in any of the following cases:
- 1) Adding a Regulated Service to other licensed services.
  - 2) Amending or canceling of one or more of the terms and conditions of the licence under Article (45) (b) of this law.
  - 3) Removing a licensed Regulated Service from those for which a person is licensed
- b) The Central Bank may not amend the licence conditions in accordance with the provisions of (2) and (3) above unless it is satisfied that the Licencee is able to meet the obligations imposed on him under the amended terms of the licence.
- c) The Central Bank may amend or revoke a licence under paragraph (a) above in any of the following cases:
- 1) If the Licencee fails to satisfy any of the license conditions.
  - 2) If the licensee violates the terms of this law or the regulations or any of the license rules.
  - 3) If the Licencee fails to start business within six months from the date of the licence.
  - 4) If the Licencee ceases to carry out the licensed activity in the Kingdom.
  - 5) If the legitimate interests of the customers or creditors of a licensee required such amendment or cancellation.
- d) The Central Bank shall, prior to the cancellation or amendment of a licence according to the provisions of the preceding paragraph, notify the Licencee in writing stating the reasons for such cancellation or amendment, date of validity

and the deadline for appealing which shall not be less than thirty days from the date of notification.

- e) The Central Bank shall decide on any appeal made in accordance with the previous paragraph and notify the appellant of the decision taken in that respect within sixty days from the date on which the appeal was made.
- f) The decision to cancel or amend a licence takes immediate effect from the date stated in the notice.
- g) The Central Bank may, in exceptional cases that require no delay, cancel or amend a licence without following the procedures set forth in paragraph (d) of this Article. This shall not affect the right of the Licencee to appeal within thirty days of notification of such decision. The Central Bank shall decide on the appeal and notify the appellant of its decision within sixty days of submission.
- h) An appeal against a decision to cancel or amend a licence may be made to a competent court within sixty days from the date of notifying the Licencee of such decision, or upon the expiry of the period specified in the preceding paragraph, for a decision on the appeal, without receiving a notification.

#### **Article (49)**

##### **Publication of the Decision to Cancel or Amend a Licence**

- a) The Central Bank shall publish its decision to cancel or amend a licence in the Official Gazette as well as in two local daily newspapers, one published in Arabic and the other in English.
- b) The Central Bank may publish its decision on such cancellation or amendment using any other means it considers appropriate, including electronic means.

#### **Article (50)**

##### **Case of Carrying on Business**

- a) A Licencee shall not cease to provide any or all of the licenced regulated services, completely or at any of its branches, without obtaining a written approval from the Central Bank.
- b) The Central Bank may restrict its approval referred to in the preceding paragraph upon such conditions, as it deems necessary.
- c) The Licencee shall publish a notice of its intention to cease to provide any regulated service completely or at any of its branches, in two daily newspapers one in Arabic and the other in English, published in the Kingdom. Such notice shall be given, after receiving the approval of the Central Bank, not less than thirty days before the actual cessation is to take effect, and shall include such information as the Central Bank may specify.

### **Article (51)**

#### **Place of Business**

- a) No Licencee may, without a prior written approval of the Central Bank:
  - 1) Open a new place of business in the Kingdom.
  - 2) Close or change an existing place of business in the Kingdom.
  - 3) Open a new place of business abroad if the licensee is incorporated in the Kingdom.
- b) The Central Bank may restrict its approval stipulated in the preceding paragraph, to any other conditions, as it may deem necessary.

### **Chapter 3 Control**

### **Article (52)**

#### **Notification of Control**

- a) The Central Bank shall issue a regulation specifying the nature and limits of “control” and the regulations applicable in case of approving a control over a licensee or a listed company.
- b) The Central Bank must be notified in any of the following cases:
  - 1) If effective Control over a Licensee takes place indirectly whether by way of inheritance or otherwise.
  - 2) Gaining control directly as a result of any action leading to it.
  - 3) The intention to take any of the actions that would lead to control.  
The controller or the person intending to take control over the Licensee, as the case may be and by the Licensee itself if it is aware of such case, shall in any of the above-mentioned cases, make notification.
- c) Notice of Control shall contain a request for the Central Bank’s approval for taking control over a licensee or taking any action that may lead to control, and shall also contain such particulars and information and be accompanied by such documents as the Central Bank may specify. In the cases referred to in items 1 and 2 of the preceding paragraph, the notice shall be made within fifteen days from the date of control. In the case referred to in item 3 of the preceding paragraph, the notice shall be made before taking any of the actions that would lead to control.

### **Article (53)**

#### **Control Procedures**

- a) The Central Bank must, within three months from the date of receipt of the notice referred to in Article (52), notify the controller or the person intending to take control over a Licensee, as the case may be, of its approval of control, any of the actions which would lead to a control, or the refusal thereof as the Central Bank may determine at its own discretion.



- b) The Central Bank may impose any restrictions that it considers necessary to be observed in case of its approval of a control or any of the actions that would lead to a control.
- c) If the period specified in paragraph (a) of this Article lapses without a decision being taken on the application seeking approval of a control or any intended actions that would lead to a control, the application shall be considered as accepted.
- d) The controller or the person intending to take control over a Licencee may, within thirty days of the notification, appeal against the Central Bank's decision to refuse the control or any conditions imposed in respect of such control. The Central Bank shall decide on the appeal and notify the Licencee of its decision within thirty days from the date of submitting the appeal.
- e) An appeal against a decision on control may be submitted within thirty days from the date when the concerned person was aware of such decision.

#### **Article (54)**

##### **Period of Control**

An approval of a control shall be temporary and shall take effect from any of the following periods:

- 1) The period specified in the notice sent by the Central Bank to the controller regarding the approval of control.
- 2) A period of one year, commencing from the date of notice sent to the controller in approval of control unless the said notice includes specific a period for the control.
- 3) A period of one year, commencing from the date of the implicit approval to control, or the intended action which would lead to a control, in accordance with the provisions of paragraph (c) of Article (53) of this law.

## **Article (55)**

### **Refusal of Control**

The Central Bank may refuse to give approval to a control if it will affect the legitimate interests of the customers or if it is detrimental to the relevant sector, or if the Central Bank decides, according to its own discretion, that it would be inappropriate to control a licensee according to the criteria set by the Central Bank.

## **Article (56)**

### **Effect of Acquiring Shares in Breach of Control Provisions**

- a) Any person who acquires shares in breach of the provisions of this chapter shall carry out any instructions issued to him by the Central Bank to transfer such shares or refrain from exercising voting rights in respect of such shares according to the procedures prescribed in such instructions.
- b) The Central Bank may seek a court order to take appropriate precautionary measures or sell such shares if the Licensee fails to carry out the order referred to in the preceding paragraph. The value of the shares sold shall be paid to the party who has rights therein after the deduction of expenses.

## **Article (57)**

### **Restrictions on Activities**

- a) A Licensee incorporated in the Kingdom shall not practice any of the following without a prior written approval of the Central Bank:
  - 1) Merge, amalgamate or enter into a partnership with any person outside the Kingdom, except in the ordinary course of business.
  - 2) Transfer all or a major part of its assets or liabilities inside or outside the Kingdom, without prejudice to the provisions of Chapter 6 of this law.
  - 3) Make any modification to its issued or paid-up share capital.

- 4) Modify its Memorandum or Articles of Association.
  - 5) Engage in major acquisition or investment operations as determined by the Central Bank.
- b) The Central Bank, in granting any approval under the preceding paragraph, may impose such conditions as it considers appropriate.
  - c) The Council shall set out rules and procedures regulating the acquisition of licenced national entities by others in accordance with the provisions of this Law.

### **Article (58)**

#### **Reporting of Matters influencing the Licencee's Financial Position**

The Licencee shall notify the Central Bank immediately of any matter that may affect its financial position, currently or in the future, or limit its ability to meet its obligations.

## **Chapter 4 Accounts and Financial Statements**

### **Article (59)**

#### **Accounting Records**

- a) A Licencee shall maintain such accounting and other records as may be specified by the Central Bank and shall have separate records for each branch abroad providing any of the services that are subject to this law.
- b) Without prejudice to the provisions of the preceding paragraph, insurance and reinsurance companies shall maintain such records as may be specified by the Central Bank for the following:
  - 1) Insurance contracts signed by the company.
  - 2) Claims made against the company and actions taken thereon.

- 3) Reinsurance contracts entered into by the company.
  - 4) Funds to be maintained according to this law.
  - 5) Names of insurance brokers, representatives of insurers, and insurance transactions concluded by them for the account of the company.
  - 6) Any other records required by the Central Bank.
- c) Listed companies shall maintain accounts and other records as required by the Central Bank.

### **Article (60)**

#### **Record Keeping**

Records referred to in Article (59) of this law shall be kept for at least ten years at the Licencee's main office in the Kingdom or at such other places as the Central Bank may approve. Records shall be kept in such a format, as the Central Bank may deem suitable.

### **Article (61)**

#### **Auditing of the Licencee's Accounts**

- a) Every Licencee shall appoint one or more qualified and experienced external auditors for its accounts for every financial year. A prior written approval by the Central Bank will be required before appointing an auditor.
- b) If a Licencee fails to appoint an auditor within four months from the beginning of the financial year, the Central Bank shall appoint such auditor.
- c) The Licencee shall pay the fees of the auditor regardless of the manner in which such auditor is appointed.
- d) An auditor shall not be the chairman or a director in the Licencee's board or a managing director, agent, representative or taking up any administrative work therein, or supervising its accounts, or a next of kin to someone who is

responsible for the administration or accounts of a Licencee, or having an extraordinary interest in a Licencee as the Central Bank may determine.

- e) If any of the circumstances referred to in the preceding paragraph occurs after the appointment of the auditor, the Licencee must appoint another auditor.
- f) The Licencee shall provide the external auditor with all information and assistance necessary for carrying out his duties.
- g) The duties of the auditor shall include the preparation of a report on the final accounts. The report shall contain a statement on whether the Licencee's accounts are correct and reflect the actual state of affairs of the Licencee according to the auditing standards prescribed by the Central Bank and whether the Licencee has provided the auditor with any required information and clarifications.
- h) The final audited accounts shall be presented to the general meeting of the Licencee together with the auditor's report. A copy of these documents shall be sent to the Central Bank at least fifteen days before the date of the general meeting.

If the Licencee is a foreign company, a copy of its final audited accounts together with the auditor's report shall be sent to its main office abroad.

## **Article (62)**

### **Final Accounts**

- a) Every Licencee must, within three months following every financial year, send to the Central Bank and make public its final audited accounts, including the profit and loss statement for all the transactions carried out until year end as well as any other financial statements required by the Central Bank. The final accounts shall be published in two local daily newspapers one in Arabic and the other in English.

- b) The final accounts shall be prepared in accordance with the requirements of the Central Bank and shall be certified by the Licensee's external auditors.

### **Article (63)**

#### **Additional Tasks for the Auditors**

- a) The Central Bank may request additional duties from the external auditor concerning licencees or listed companies. Such tasks may include:
- 1) Submission of such additional information relating to the audited accounts as the Central Bank may specify.
  - 2) Enlarging the scope of the audit.
  - 3) Notifying the Central Bank of any financial violations discovered during the course of the audit.
  - 4) Notifying the Central Bank of any reservations regarding the accounts and statements of the Licencee.
  - 5) Notifying the Central Bank of any discrepancy in the financial systems, controls, and of any material inaccuracies or inconsistency in the final accounts of the Licencee or listed company.
  - 6) Preparing such financial reports and statements as required by the Central Bank. Auditor's fees for such additional tasks shall be born by the licensee or the listed company.
- b) By carrying out such assignment requested by the Central Bank under the preceding paragraph, the auditor shall not be in breach of any duties towards the licencee, the listed company or the shareholders.

### **Article (64)**

#### **Rules Governing Auditing**

Subject to the rules of Law No.(26) of 1996 regarding auditors, the Central Bank may issue additional requirements that should be satisfied by any auditor auditing any licensee or listed company as well as any other tasks concerning the accounts and financial statements of a licensee or a listed company.

## **Chapter 5**

### **Licencee's Staff**

#### **Article (65)**

##### **Staff of a Licencee**

- a) A Licencee must obtain a prior approval from the Central Bank for any nominees to the membership of the board or for any executive post. The Governor shall issue the terms and conditions for obtaining such approval.
- b) The Central Bank may determine the standard levels of qualifications, experience and training of licensee's officers and employees.
- c) If it becomes evident to the Central Bank that a licensee is employing any official, as a board member or in an executive position, who is not qualified or unsuitable for the assigned job, the licensee shall promptly, after due notification, stop such official from assuming the responsibilities of such a job.

## **Chapter 6**

### **Control of Business Transfers**

#### **Article (66)**

##### **Application to Transfer Business**

- a) A Licencee shall not transfer any banking or insurance business to others before an approval from the Central Bank.
- b) A Licencee who desires to transfer all or any part of its business referred to in the preceding paragraph, shall make an application to the Central Bank in the form prepared by the Central Bank for such purpose.
- c) A Transfer of Business application shall be published by the Central Bank in the Official Gazette and also in two daily newspapers published in the Kingdom one in Arabic and one in English. The publication should include a call to the concerned parties to submit any objections to the Central Bank within three months from the date of publication.
- d) The Central Bank shall consider the objections referred to in the preceding paragraph before taking any action on the application for transfer.

### **Article (67)**

#### **Decision on Application for Business Transfer**

- a) The Central Bank shall determine the procedure of processing applications for business transfer.
- b) The following shall apply in order to approve a business transfer:
  - 1) The business, subject of transfer, shall not be prohibited by the Central Bank.
  - 2) The Transfer of Business shall not cause damages to the interests of the licencee's customers or creditors.
  - 3) The transferee must be licensed to carry out the business in the place to which it is to be transferred.
  - 4) The Central Bank must be satisfied that the Transfer of Business is appropriate under relevant regulations issued in this respect.
- c) The Central Bank shall give its approval to a Transfer of Business if the application satisfies the requirements set in the preceding paragraph. Such



approval may be given subject to any conditions deemed appropriate by the Central Bank.

- d) The decision of the Central Bank on a Transfer of Business shall be published in the Official Gazette as well as in Arabic and English language daily newspapers published locally. The decision shall be effective from the date set therein.
- e) An applicant whose application has been turned down or who faces restrictions regarding the transfer of his business may appeal to a competent court within thirty days from the date of publishing of such decision in the official gazette.

### **Article (68)**

#### **Transfer of Other business**

The provisions of this section of the law shall apply to the transfer of any other regulated services offered by a Licencee, other than banking and insurance services, as the Central Bank may decide in order to protect the interests of the licensee's customers and creditors.

## **Chapter 7**

### **Credit Information Centres**

#### **Article (68)bis.**

##### **Establishing Credit Information Centres**

*“As amended by Law No. (34) of 2015”*

- a) Financial institutions by the name of “Credit Information Centres” may be established, in the form of institutions supporting the financial sector, with the authority, under a license granted from the Central Bank, to receive credit information of customers and to save, analyze and classify the same, and prepare credit reports and the providing the same to the members of the Credit Information Centres upon their request, and shall be conducted subject to the

provisions of this law, and the Central Bank shall specify the rules, regulations and conditions by which the Credit Information Centres shall organize their work structure and provide their services.

b) In the application of this Clause:

- 1) Credit Information means any information and data related to the Customer's financial obligations. This shall include any information and data related to all of the Customer's debts (liabilities), credit facilities, sale on credit arrangements, sale by instalments, and any other claims due from the Customer, along with their due dates, terms & conditions, and guarantees related to such claims, repayment, and the extent of the Customers' commitments as well as the data and information related to government claims against the Customer in the form of fees, instalments and fines, and any other claims due for such government bodies ("Credit Information").
- 2) The government bodies, Licensees and the Persons referred to in Article (68 bis 1) of this Law shall be referred to as "Members of CICs (the Members)".
- 3) "Customer" means any of the Members' Customers whom the CICs hold Credit Information relating to ("Customer").
- 4) Credit Report means any report issued by any of the CICs based upon a request by a Customer or any of the Members and which includes Credit Information indicating the credit worthiness of the Customer.

### **Article (68)bis. 1**

#### **Submitting credit information to the Credit Information Centres**

*"As amended by Law No. (34) of 2015"*

- a) In accordance with the provisions of this Law, the CBB shall specify the Licensees that must provide the CICs with the Credit Information held by them.

- b) The CBB may issue a resolution requiring any Person to provide the CICs with the Credit Information it holds relating to its commercial transactions with its Customers, in coordination with the concerned regulatory body of such Person.
- c) The Cabinet of Ministers shall issue a resolution specifying the government bodies that must provide CICs with the Credit Information they hold in relation to their dealings with their Customers. Government bodies mean the ministries, public sector entities, boards and agencies that are established pursuant to a Law or decree. The resolution issued by the Cabinet of Ministers shall stipulate the controls and methods of providing the CICs with Credit Information held by those government bodies, the mechanisms of monitoring the compliance of such bodies with the provisions of this Law, and the mechanisms of detecting any violations committed by such bodies and the measures that must be taken in connection with such violations and avoiding their recurrence.
- d) The CIC shall enter into an agreement with each Member to set out the terms and conditions of the CIC's receipt of Credit Information from the Member and the provision of Credit Reports by the CIC to the Member.
- e) CICs may exchange Credit Information with any other CIC, or its equivalent, operating outside the kingdom of Bahrain subject to a prior approval from the CBB. The receipt of Credit Information from CICs operating outside the kingdom of Bahrain, as well as the provision of information to such CICs, shall be in accordance with the conditions and controls stipulated by the CBB.

### **Article (68)bis. 2**

#### **Restriction on Purposes of Using Credit Information**

*“As amended by Law No. (34) of 2015”*

- a) The Credit Information and the Credit Report shall not be used by the Members except for the purpose of assessing the Customer's Credit worthiness with the aim of making a decision on granting, renewing, rescheduling or restructuring credit to such Customer, or to assess the credit worthiness of the Customer in other cases that involve selling of goods or provision of services to any Person on a deferred payment basis.
- b) The use of Credit Information for statistical and research purposes in a manner not revealing the personal identity of the information's owner shall not be deemed a breach of the provision in paragraph (1) of this Article.

**Article (68)bis. 3**

**Cusromers' rights**

*“As amended by Law No. (34) of 2015”*

- a) The Customer may obtain from the CIC a Credit Report once every 12 months period free of charge. However, the Customer may request any additional Credit Report upon paying certain fees to be determined by the CIC.
- b) The Customer may request the concerned Member to add any additional information related to his credit worthiness of such Customer provided that the Customer submits an evidence of the accuracy of such information.
- c) The Customer may submit to the CIC any complaint or objection with regard to the accuracy or incompleteness of the information contained in the Credit Report. In such a case, the CICs' role is limited to following up the matter with the concerned Member, and communicating to the Customer any responses received in this regard. If the Customer provides an evidence of the existence of an error or incompleteness in the information contained in the Report, the concerned Member shall correct the error and notify the CIC accordingly. The

above shall be in accordance with the system stipulated in Article (68 bis 4) of this Law.

#### **Article (68)bis. 4**

##### **System for the Protection of the Rights of Customer's and Members**

*“As amended by Law No. (34) of 2015”*

- a) The CIC shall develop a system to promote the Customers' awareness of its activities and their rights to receive complaints and objections submitted by Customers or Members regarding the Credit Information and the Credit Reports issued by the CIC, and to follow up on such complaints and objections with the concerned Member and shall provide the Customer with the outcome. The system shall also include the procedures for submitting and following up such complaints and objections. The CIC shall commit to providing any Person, upon his request, any clarifications in relation to such procedures free of charge.
- b) The system mentioned in paragraph (1) of this Article must be approved by the CBB prior to coming into force. The CIC must make an announcement regarding the system using the means specified by the CBB.

### **PART 3 INSURANCE AND REINSURANCE**

#### **Chapter 1 Long-Term Insurance**

##### **Article (69)**

##### **Separate Accounts for Long-term Insurance**

Long-term insurance companies shall assign a separate technical and accounting system for each type of long-term insurance, and shall prepare and publish a separate balance sheet for each such type of insurance besides their general balance sheets.

#### **Article (70)**

##### **Profits of Long-term Insurance**

Long-term insurance companies shall not deduct, directly or indirectly, any part of their funds, set aside to cover liabilities with respect to long term insurance policies, for distribution as profits to shareholders, policyholders or for lending to staff and managers or for the payment of any liabilities other than from issued insurance policies. Distribution of profits shall be limited to the amount of the realized surplus determined by the actuary in its report.

#### **Article (71)**

##### **Prohibition of Discrimination Between Insurance Policies**

Companies providing long-term insurance shall not discriminate between one policy and another of the same type with respect to insurance rates, the schedule structure of the accumulated cash value generated by the policy annually, or the amount of profits distributed to policyholders or for any other considerations unless such discrimination is based on variation in life expectancy.

As an exception, the above prohibition shall not apply to insurance policies with large cover amounts, which enjoy specific discounts according to rate schedules notified to the Central Bank.

#### **Article (72)**

##### **Examination and Assessment of Long-term Insurance Business**

a) Every long-term insurance company shall appoint an actuary to examine and assess the long-term insurance business. A copy of the actuary's report shall be

sent to the Central Bank within three months after the end of the financial year. The Report shall be accompanied by a declaration by the company confirming that all particulars and information required for reaching an accurate assessment were made available to the actuary.

- b) If it appears to the Central Bank that the Actuary's report does not really reflect the financial position of the long-term insurer due to inappropriate assessment procedure, the Governor may appoint another actuary to re-examine the situation at the cost of the company.

### **Article (73)**

#### **The Actuary's Report**

The Actuary's Report shall, in particular, include the following:

- 1) The company's liabilities regarding long-term insurance business.
- 2) An assessment of any difference between the assets and the liabilities of the long-term insurance.
- 3) A statement of any rights of long-term insurance policyholders in the profits.

The Central Bank shall issue a regulation regarding other information that the above report shall include.

## **Chapter 2 General Provisions**

### **Article (74)**

#### **Registration of Insurance Experts, Consultants, Brokers and Representatives**

No actuary, consultant, surveyor, loss adjuster, broker or representative of an insurance company may engage in business in the Kingdom with companies regulated by this law unless they have their names registered on the Register

prepared for this purpose by the Central Bank. The terms and conditions for registration in this register shall be issued by the Central Bank.

### **Article (75)**

#### **Invalid Provisions in Insurance Policies**

Any of the following conditions shall be deemed invalid if incorporated in an insurance policy:

- 1) Any condition that forfeits any of the policyholder's rights due to a violation by the policyholder of any law or regulation. Such invalidation shall not include deliberate offenses committed by policyholders.
- 2) Any condition that does not explicitly state whether it pertains to any of the cases that annul the policyholder's rights.

### **Article (76)**

#### **Approval of Insurance Policy Forms and Appendices**

- a) No insurance company subject to the provisions of this law shall issue forms of insurance policies or any appendices thereto without the approval of the Central Bank. In order to obtain such approval, applications shall be submitted to the Central Bank accompanied by a copy of the policy or the appendix that it intends to issue.
- b) The Central Bank shall review the contents of insurance policies and any appendices thereto and shall notify the insurance company, within sixty days from the date of application, of its approval or objection to any contents that may contradict the law or the public order. If the applicant company received no notification during this period, an implicit approval to the contents of the insurance policy or its appendices shall be assumed.



c) Insurance policies, appendices and endorsements shall be made in Arabic language and may be accompanied by an English translation. However, in the event of any contradiction between the two texts, the Arabic text shall prevail. The Central Bank may exclude certain types of policies from being made in the Arabic language.

#### **Article (77)**

##### **Amendment of Insurance Policy**

The Central Bank may require, at any time, such amendments to the insurance policy, as it deems necessary to safeguard the interests of the policyholders if there is any matter that may cause damages the interests of the policyholders.

#### **Article (78)**

##### **Marketing the Insurance Policies Abroad**

No insurance company registered in the Kingdom shall market its insurance policies abroad without obtaining a prior written approval from the Central Bank.

#### **Article (79)**

##### **Disposal of the Assets of Insurance and reinsurance Companies**

Insurance or reinsurance companies shall not sell, mortgage or otherwise dispose of more than 5% (five per cent) of the company's assets, according to its latest approved final accounts, for thirty consecutive days, without a written approval from the Central Bank.

## **PART 4 SECURITIES**

### **Chapter 1 Companies Trading in Securities**

## **Article (80)**

### **Definition of Companies Trading in Securities**

- a) Companies trading in securities are those whose objectives include one or more of the following activities:
- 1) Promoting and underwriting securities or financing investments therein.
  - 2) Participating in incorporating of securities companies or increasing the capitals thereof.
  - 3) Forming and managing securities portfolios and investment funds.
  - 4) Depositing, clearance and settlement of securities.
  - 5) Brokering in securities transactions.
  - 6) Providing advisory services related to securities.
  - 7) Any other activities as approved by the Central Bank.

## **Article (81)**

### **Offers of Securities**

- a) Subject to the requirements of the Commercial Companies Law or any other law, no person may issue any securities in the Kingdom unless otherwise permitted by the Central Bank. The Central Bank shall specify the information and documents that are required for obtaining permission to issue Securities.
- b) Securities may not be offered for public subscription, except by virtue of a prospectus approved by the Central Bank. A summary of the prospectus shall be published in two daily local newspapers, one in Arabic and the other in English.

## **Article (82)**

### **Contents of the Prospectus**

The prospectus shall be prepared in such a form and shall contain such financial and other information as required by the regulations of the Central Bank.

### **Article (83)**

#### **Types of Securities**

- a) The Central Bank shall specify the types of securities that may be issued, the methods of offering and dealing with them and the obligations of each issuing party.
- b) As an exception from the provisions of the electronic dealings law, the Central Bank may issue electronic securities in such circumstances and with such conditions as it may determine.

### **Article (84)**

#### **Supplementary Prospectus**

The issuer of securities shall publish a supplementary prospectus, approved by the Central Bank, in two daily local newspapers one published in Arabic and the other in English, if any of the following occurs between the time of preparing the original prospectus and the time of issue of the securities:

- a) There is a significant change in the information contained in the prospectus.
- b) Any information that should have been included in the prospectus as if they existed at the time of preparing the prospectus.

### **Article (85)**

#### **Responsibility of the Person who Prepares the Prospectus**

Any person responsible for the preparation of the prospectus must ensure that the prospectus incorporates all the necessary information and that such information is not false or misleading.

## **Chapter 2 Listing and Dealing in Securities**

## **Article (86)**

### **Listing**

- a) No Securities may be listed on the Stock Exchange without the approval of the Central Bank and by request from the issuers.
- b) Listing shall be restricted to the following securities:
  - 1) Stocks of joint stock companies incorporated in the Kingdom and whose main offices are situated in the Kingdom.
  - 2) Stocks of non-Bahraini companies that are approved for listing by the Central Bank.
  - 3) Bonds and debt instruments approved for listing by the Central Bank.
  - 4) Any other financial papers or instruments approved by the Central Bank.
- c) The Central Bank shall issue the rules and procedures of listing in coordination with the Exchange.

## **Article (87)**

### **Cancellation of Listing and Suspension of Trading**

- a) The Central Bank may decide to cancel the listing of any securities that contravene the requirements of the Listing Rules, or to suspend the trading of any listed securities facing exceptional circumstances that the Central Bank considers as sufficient grounds for the suspension of the securities. The cancellation of listing or the suspension of trading shall be decided by the Governor.
- b) The Exchange must effect the cancellation or suspension decisions and notify the issuer in writing accordingly. The written notice shall contain the reasons for such cancellation or suspension, the date on which the cancellation or suspension takes effect, and any other details related to the matter.

- c) The issuer of securities may appeal against the Central Bank's decision to cancel or suspend dealing, within fifteen days of the date of notification of such decision. The appeal shall be decided upon and the appellant informed of the decision within one month from making the appeal. The issuer of the securities may re-appeal, against the refusal of the first appeal, to a competent court within thirty days from notification of such rejection.
- d) The Central Bank shall issue Regulations specifying the cases in which it will cancel the listing or suspend the trading of securities.

### **Article (88)**

#### **Cancellation of Suspension Orders**

By request from the issuer, the Central Bank may issue a resolution to cancel the suspension of any securities if the exceptional circumstances that prompted the suspension no longer exist.

### **Article (89)**

#### **Trading Through Licencees**

All trading in securities listed on the Exchange shall be conducted through a mediator who is licenced by the Central Bank and registered as a member of the Exchange.

### **Article (90)**

#### **Negotiation of Securities**

The Central Bank shall issue regulations organizing the negotiation of Securities Listed on the Exchange.

### **Article (91)**

#### **Financing of Trading in Securities**

Financial institutions may finance trading in Securities in accordance with the regulations issued by the Central Bank.

### **Article (92)**

#### **Short Selling and Giving Securities on Loan**

The Central Bank shall specify the types of securities, which may be traded by loan and short sale, the terms and procedures of such transactions and the rights and obligations of all concerned parties.

### **Article (93)**

#### **Redemption of Securities by their Issuers**

Subject to the provisions of the Commercial Companies Law, the Central Bank shall issue regulations specifying the types of Securities, which issuers may redeem, and the procedures to be adopted when the company redeems or resells its securities.

### **Article (94)**

#### **Deposit of Securities**

No person may engage in depositing of securities without an authorization from the Central Bank.

“Deposit of Securities” means to register the ownership of the securities of a depositor in the name of a depository under a securities deposit agreement and in accordance with the form issued for this purpose by the depository.

The Central Bank shall issue the rules governing the Deposit of Securities.

### **Article (95)**

#### **Pledge of Securities**

With due consideration to the provisions of the Law of Commerce with respect to pledges, the Central Bank shall by Regulation specify the procedures to be followed

for the registration of pledges and liens on Securities and the discharge and lifting of such pledges and liens.

No trading of Securities under pledge or liens shall be permitted, except upon the discharge of the pledge or the lien.

The discharge of pledge shall be made by a court order or a Written statement signed by the pledger confirming that he has received or waived all of his rights under the pledge deed.

### **Article (96)**

#### **Evidence in Disputes Related to Securities**

Subject to the rules and laws of evidence and electronic transactions, any computer data, electronic files, recorded telephone calls, telex and facsimile correspondence may be used as evidence in disputes relating to securities.

## **PART 5 DEALING IN THE EXCHANGE**

### **Chapter 1 Insider Trading**

#### **Article (97)**

##### **Insider**

For the purposes of this Chapter, an “Insider” is any person who has obtained the information stated in Paragraph (a) of Article (98) of this law;

- 1) By virtue of his employment or profession;
- 2) Being an officer or shareholder of the issuer of the securities, or
- 3) Through illegal means.

A person may be an insider if he is already aware that such information is classified as inside information even though none of the above applies to him.

### **Article (98)**

#### **Inside Information and Profit**

- a) For the purposes of this Chapter, “Inside Information” means information that;
- 1) Is precise in nature relating directly or indirectly to one or more of the securities or the issuer thereof,
  - 2) Has not been made public.
  - 3) If made public, is likely to have a significant impact on the price of those securities or their derivatives,
  - 4) Is, directly or indirectly, related to derivatives of commodities which the traders expect to be disclosed according to the market regulations.
- b) In this chapter “profit” includes avoiding of any loss.

### **Article (99)**

#### **Market Information**

- a) For the purposes of this chapter, “Market Information” shall mean any published information about trading or non-trading in certain types of securities, their number, prices, range of price for trading or the identity of those involved or who may be involved, in any capacity, in such trading.
- b) The Central Bank shall issue regulations concerning the necessary procedures and controls of publishing market information.

### **Article (100)**

#### **Offences**

A person who is in possession of Inside Information, as an Insider shall not: use such information to:



- 1) Deal in any securities to which that information relates.
- 2) Encourage any person to deal in any securities to which that information relates.
- 3) Disclose inside information to any other person, otherwise than in the proper performance of the functions of his employment, office or profession.
- 4) Violate the rules governing the publishing of market information.

### **Article (101)**

#### **Claiming that Gains were Unexpected**

The mere trading by any person with inside information in securities, or encouraging others to trade therein, shall not be considered as a violation to this chapter if,

- 1) He did not, at the time, expect that he will make a profit due to the Inside Information.
- 2) He reasonably believed at the time of dealing that the information had been disclosed widely enough that none of those taking part in the dealing would be prejudiced by not being aware of the said information.
- 3) He would have acted as he did even if such information was not available to him.

### **Article (102)**

#### **Claiming Non-Awareness of the Significance of the Inside Information**

A person with inside information shall not be violating this chapter if he proves that he did not expect, at the time of disclosure, any person to trade in such securities based on such information, or that he did expect such trading but never thought that such person would make profits because the disclosed information was an inside information

### **Article (103)**

### **Claiming that Action was Taken in Good Faith**

A person shall not be violating this chapter by virtue of dealing in securities or encouraging another person to deal, if he proves that he had acted in good faith in the course of his business as a licensed mediator or his employment with a mediator.

### **Article (104)**

#### **Claiming that Inside Information is Market Information**

An individual is not guilty of inside dealing by virtue of dealing in securities or encouraging another person to deal if he proves that:

- 1) The information, which he had as an Insider, was market information.
- 2) It was reasonable that any person in their position would have acted similarly despite having such information as an Insider at the time. In determining the appropriateness of such action, a special consideration shall be given to the content of the information, the circumstances in which it was first acquired and in what capacity did he act at the time of dealing.

### **Article (105)**

#### **Other Defences**

- a) A person shall not be guilty of inside dealing by virtue of dealing in securities or encouraging another person to deal if he proves that:
  - 1) The securities were, at the time of dealing, under consideration or negotiation, or that the dealing took place during the course of a series of such negotiations.
  - 2) The dealing was intended to facilitate the negotiation of securities or execute a series of negotiations of such Securities.
  - 3) The dealing was completed in accordance with the Central Bank's price policies.

**Chapter 2**  
**Violation of Market Dealings**

**Article (106)**

**The Offence of Market Manipulation**

In the application of this law a person is guilty of market manipulation if he:

- 1) Is engaged, or encourages others to engage, in any conduct that may give a false or misleading impression as to the supply of or demand for, or the price or value of any securities.
- 2) Is engaged, or encourages others, to engage in any conduct that may give an unrealistic picture of the market regarding the volume and prices of any securities.

**Article (107)**

**Defences**

A person shall not be guilty of market manipulation if he proves that his reasons for engaging in the alleged conduct were legitimate and that he had acted in conformity with the accepted market practices in the market concerned, or that he had acted in conformity with any price stabilization rules made by the Central Bank, or if he believed on reasonable grounds that his conduct did not violate Article (106) of this law and that he had taken all reasonable precautions and exercised all due diligence to avoid behaving in any way against the said Article.

**PART 6**  
**NETTING AND COLLATERAL**

**Chapter 1**  
**Netting**

## **Article (108)**

### **Close-out Netting due to Market Contract**

- a) The Central Bank shall issue regulations regarding conditions and controls to be incorporated in a Market Contract as well as the procedures for carrying out clearance according to such contract.
- b) Notwithstanding the provisions of any other law relating to clearance, bankruptcy or insolvency, any Close-out Netting shall be carried out according to the Market Contract in connection with debts, loans and dealings between the parties thereof that were originated or completed before any of the parties became insolvent or bankrupt. The same shall apply against the parties of the contract their receivers in bankruptcy and their creditors.
- c) The previous paragraph shall not apply if one party knew or ought to have known that:
  - 1) An application, for the liquidation and winding up of the other party by reason of insolvency, is being considered by the concerned authority.
  - 2) The other party has taken formal steps under any other applicable law to liquidate or wind up by reason of bankruptcy.

## **Article (109)**

### **Exceptions**

- a) Notwithstanding the provisions of any other law, no restriction or suspensions shall be applied to any provision related to clearance according to a Market Contract.
- b) Notwithstanding the provisions of any other law relating to clearance, bankruptcy or insolvency, the parties in a Market Contract may;

- 1) Agree to any system which will enable the parties to convert a non-financial obligation into a financial one of equivalent value and to value such an obligation for the purposes of any clearance or Netting.
- 2) Agree on the rate of exchange or the method to be used to establish the rate of exchange to be applied in effecting any clearance or Netting when the sums to be cleared or netted are in different currencies, and to establish the currency in which payment of the net sum is to be effected.
- 3) Agree that any transactions carried out pursuant to any Market Contract shall be treated as a single transaction for the purposes of the contract whether such transactions were completed by the parties, a receiver in bankruptcy, a competent court, an officer representing the parties or that such transactions have been categorized or attributed to a certain type of trading.

## **Chapter 2 Collateral**

### **Article (110)**

#### **Provisions Governing the Collateral**

With consideration to the provisions of the Civil Law and Commercial Law regarding pledging, the Central Bank shall issue the terms and conditions for the provision of any pledge, insurance, collateral or title transfer collateral to beneficiaries according to a Market Contract.

## **PART 7 INFORMATION GATHERING, INSPECTION VISITS AND JUDICIAL INVESTIGATION**

### **Chapter 1**

## **Power of the Central Bank to Obtain Information**

### **Article (111)**

#### **Obtaining Information from Licensees**

The Central Bank may demand, by written notice given to a Licensee, any information, documents, statistics, yearly reports or any other periodical reports that the Central Bank requires according to this law.

The Licensee shall provide the required information within the specified period and shall immediately notify the Central Bank of any major changes in such reports.

### **Article (112)**

#### **Information from others**

Without prejudice to Article (111) of this law, the Central Bank may require, by a written notice, any Listed company or any person who has issued debt instruments in the Kingdom to provide such information in relation to its financial affairs as the Central Bank deems necessary for discharging its duties and responsibilities under this law.

### **Article (113)**

#### **Request of Reports from Related Parties**

- a) The Central Bank may request in writing from any Licensee's partner any reports that may be necessary under this law.
- b) The person who prepares such reports referred to in the previous paragraph must be:
  - 1) Nominated, appointed or approved by the Central Bank.
  - 2) Duly qualified to prepare such reports.

## **Chapter 2 Inspection**

### **Article (114)**

#### **Inspection**

- a) The Governor may assign some of the Central Bank officials or others (the “Inspectors”), to inspect the Licensees' or the listed companies businesses pursuant to the principles and procedures stated in the Regulations issued by the Central Bank. The Inspectors are authorised to investigate whether the Licensees or the listed companies are complying with the provisions of this Decree and the Regulations and resolutions issued in connection with implementing thereof. To achieve this objective the Inspectors are authorised to enter the premises and offices of the Licensees and the listed companies, to have access to the books, documents and correspondences and to question any persons as they deem necessary. They are also authorised to contact banks and other relative institutions in connection with the subject matter of the investigation or the institutions in which the Licensee has investments.
- b) The term documents, to which the Inspectors shall have the right by virtue of the above paragraph to review, means the data written or recorded by any means including data recorded in electronic format. The Licensees and the listed companies must provide, upon request, the Central Bank or the Inspectors with a legible copy of any data recorded in an illegible format
- c) No person shall interrupt or prevent any authorised Inspectors from carrying out the duties and responsibilities required of them under this Decree.

### **Article (115)**

#### **Judicial Investigation**

The officers of the Central Bank who are appointed by a resolution issued by the Minister of Justice in agreement with the Governor, shall have the capacity of Judicial Investigation Officers with respect to criminal offences that fall under their jurisdiction and relevant to the duties assigned to them. The verbal process of such crimes prepared by the said officials should be referred to the public prosecution pursuant to a resolution to be issued by the Governor or any person he may authorised.

## **PART 8**

### **CONFIDENTIAL INFORMATION AND DISCLOSURE THEREOF**

#### **Article (116)**

##### **Definition of Confidential Information**

*“As amended by Law No. (34) of 2015”*

For the purpose of this Law, “Confidential Information” means:

- (1) Any data or information that relates to any of the Licensees’ Customers.
- (2) The Credit Information referred to in item (1) of paragraph (b) of Article (68 bis) of this Law.
- (3) The Credit Reports stated in item (4) of paragraph (b) of Article (68 bis) of this Law.

#### **Article (117)**

##### **Restriction on Disclosure of Confidential Information**

*“As amended by Law No. (34) of 2015”*

Confidential Information must not be disclosed by any of the Licensees or the Members of the Credit Information Centers (CICs) referred to in item (2) of paragraph (b) of Article (68 bis) of this Law unless such disclosure is done:



- 1) Pursuant to an unequivocal approval of the person to whom the confidential information relates.
- 2) In compliance with the provisions of the law or any international agreements to which the Kingdom is a signatory.
- 3) In the process of executing an order issued by a Competent Court.
- 4) For the purpose of implementing an instruction given by the Central Bank.

### **Article (118)**

#### **Disclosure of Confidential Information by the Central Bank**

The Central Bank may disclose under the following circumstances any Confidential Information received thereby directly or indirectly:

- 1) In any of the cases stated in Article (117) of this law.
- 2) In connection with any measures taken by the Central Bank to ensure stability and reinforce trustworthiness of banking and financial system of the Kingdom, if the said measures require such disclosure.
- 3) In cooperation with international financial organizations or competent administrative bodies or authorized committees.

### **Article (119)**

#### **Restriction on Disclosure of Confidential Information by Third Parties**

No person who receives, directly or indirectly, Confidential Information may disclose such information otherwise than as specified under Article (118) of this law.

### **Article (120)**

#### **Confidential Information Obtained Prior to Enactment of this Law**

Confidential Information include confidential information received prior to enactment of this law by the following institutions or persons:

- 1) The Bahrain Monetary Agency or any of its officials or employees.

- 2) The Ministry of Commerce or any of its officials or employees.
- 3) Any auditor or expert appointed by the Bahrain Monetary Agency or by the Ministry of Commerce.
- 4) The Bahrain Stock Exchange or any of its officials or employees.
- 5) Any person who obtains the confidential information directly or indirectly from any of the persons or bodies referred to in the preceding items.

## **PART 9**

### **INVESTIGATIONS AND ADMINISTRATIVE PROCEEDINGS**

#### **Chapter 1**

#### **Investigation**

#### **Article (121)**

##### **Appointment of Investigators**

- 1) When necessary, the Central Bank may appoint one or more qualified investigators to conduct investigation with respect to the following:
  - a) Nature or position of the business of a Licensee.
  - b) A particular aspect of the businesses of a Licensee.
  - c) The ownership or control of a Licensee.
  - d) Whether the Licensee is practicing the very business licensed thereto, and assessing to what extent the Licensee is abiding, in providing the said business, by the provisions of the law and the terms and conditions of the license.
  - e) Whether a Licensee is carrying out unlicensed business.
  - f) Whether the listed companies are abiding by the procedures and principles of listing referred to in paragraph (c) of Art (86) of this law.

- 2) The Investigator may conduct an investigation, where necessary, on the business of any member of a group or company to which the Licensee under investigation is a party. The Licensee under investigation must be notified in writing of the decision to investigate its business.

### **Article (122)**

#### **Assistance in Investigations by Overseas Authorities**

- a) The Central Bank may provide assistance upon request by an overseas authority. To this end the central bank may:
  - 1) Exercise the powers conferred thereto by Article (111) of this law to require information and documents.
  - 2) Appoint one or more qualified persons to provide a report pursuant to Article (113) of this law and/or to investigate any matter pursuant to Article (121) thereof.
- b) In deciding a request by an overseas authority pursuant to paragraph (a) of this Article, the Central Bank may consider in particular:
  - 1) Whether the country or territory of the Overseas authority is adopting the basis of reciprocity in its relation with the Kingdom;
  - 2) The seriousness of the case and its importance to persons in the Kingdom;
  - 3) Whether it is otherwise appropriate in the public interest to give the assistance requested.
- c) The Central Bank may decide to reject the request stated in paragraph (a) of this Article unless the Overseas Authority undertakes to make contributions towards the cost of exercising such powers as the Central Bank considers appropriate.

### **Article (123)**

#### **Request of Information and Documents In Possession of a Third Party**

- a) Any person who is in possession of information or documents relevant to an investigation conducted by the Central Bank or its duly appointed investigator, should promptly present such information or documents upon request by the central bank or its duly appointed investigator
- b) If the Central Bank or its duly appointed investigator receives a document according to the requirement imposed under this Chapter, it may:
  - 1) Take copies or extracts from such document.
  - 2) Require the person producing the document, or any other relevant person, to provide an explanation of the contents of the document.
- c) If the person fails to produce the document required, but he has information about the whereabouts of such document, then he should, upon the request of the Central Bank or its appointed investigator, indicate where the document is located.

#### **Article (124)**

##### **Enabling the Central Bank to Practice its Duties**

- a) If the Central Bank or its authorised person, for any reason, fails to enter and inspect the premises, offices, or locations of the Licensee to obtain any information or necessary documents and data, or if the powers conferred to the Central Bank are not sufficient for it to practice its supervision tasks over the business of the Licensee, then the Central Bank may seek a court order upon a petition to enable the authorised investigators to carry out the following:
  - 1) Entering and inspecting specific premises and obtaining relevant information, data or documents.
  - 2) Copying or taking extracts of any relevant document information or data.  
Compelling any person employed by the Licensee to give explanation respecting, or to specify the whereabouts of, any documents, information or

data.

Compelling force may be used, where necessary.

- b) If necessary the Central bank may retain any documents obtained by virtue of the provisions of the previous paragraph for a period not exceeding six months. However, if the procedures of a trial of any person commenced in connection with committing a crime within the period of the specified six months and the procedures of the said trial continued beyond this period, and the mentioned documents prove to be of relevance to such procedures, then the Central bank may retain such documents up to the end of the said trial procedures, or to any other date determined by the Competent Court.

## **Chapter 2**

### **Procedures to be Taken Before Penalties or Administrative Proceedings are Applied**

#### **Article (125)**

##### **Warning Notice**

Prior to imposing any penalties or administrative proceedings upon the Licensee, the Central Bank must deliver to him a written notice containing the following:

- a) The violations committed by the Licensee with respect to the provisions of this law, the resolutions and bylaws issued in enforcing thereof, or of the terms and conditions of the License, accompanied by the evidence and proves that convinced the Central Bank that such violation had occurred.
- b) The penalty or administrative proceedings intended to be imposed upon the Licensee.

c) The grace period to be allowed for challenging the intended penalty or administrative proceedings, which should not be less than thirty days as from the date of serving the notice.

### **Article (126)**

#### **Right of Objection**

The Licensee shall have the right to submit a written objection to the contents of the notice served pursuant to Article (125) of this law, within the period specified in the same notice, provided that the objection is duly justified and accompanied by supporting documents, information and data.

### **Article (127)**

#### **Decision Notice**

The Central Bank must discuss the objection submitted pursuant to Article (126) of this law, and issue the appropriate resolution, provided that such resolution is served to the objector within thirty days of submitting such objection.

## **Chapter 3 Penalties and Administrative Proceedings**

### **Article (128)**

#### **Imposing Restrictions**

With regards to the provision of paragraph (c) of Article (48) of this law, the central bank may impose upon the Licensees and the listed companies restrictions to secure the compliance by the provisions of this law and the regulations and resolutions issued in implementing thereof, along with the terms and conditions of the License. This shall take place in case of violating such provisions and terms and conditions,

or it appears, due to significant evidences and indicators, that such violations have most likely occurred.

### **Article (129)**

#### **Imposing Administrative Fines**

*“As amended by Law No. (34) of 2015”*

Without prejudice to any criminal or civil liability, the CBB may levy upon the Licensee or any of the Persons referred to in paragraph (b) of Article (68 bis 1) of this Law an administrative fine not exceeding one hundred thousand (100,000) Bahraini Dinars in case of breaches of any of the provisions of this Law or the regulations, resolutions or directives issued under the Law or if the Licensee breaches the terms and conditions of the license. The fine shall be multiplied by the number of violations.

### **Article (130)**

#### **Administrative Proceedings**

- 1) If imposing administrative restrictions upon the Licensee, with respect to the cases stated in Article (128) of this law, proves to be futile, then the central Bank may take any of the following measures:
- 2) Appointing an observer member on the board of directors of the Licensee for a period specified by the Central Bank. Such a member shall have the authority to participate in the deliberations of the board of directors and to give opinions on any resolutions passed by the board.
- 3) Placing the Licensee under administration pursuant to the provisions of Chapter 2 of Part 10 of this law.

### **Article (131)**

### **Suspension of the Licensee from Providing the Service**

Without prejudice to any of the provisions of this chapter, the Central Bank may suspend the Licensee who contravenes any of the provisions of this law, the regulations and bylaws issued in connection with implementing thereof, or the terms and conditions of the license, from carrying out any Regulated Services as may be specified for a period or periods as may be specified by the Central Bank. Provided that the total period or periods of such suspensions shall not exceed twelve months.

### **Article (132)**

#### **Public Censure**

The central bank may issue a public statement on such breach that occurred to the provisions of this decree or the regulations and by laws issued in implementing thereof, whether this breach is committed by the Licensee, the listed company or any official of both. The publication should be carried out in a manner proportionate to the nature and the magnitude of the violation.

## **PART 10**

### **INSOLVENCY OF THE LICENSEE, AND PLACING IT UNDERADMINISTRATION AND COMPULSORY LIQUIDATION**

#### **Chapter 1 Insolvency**

### **Article (133)**

#### **Insolvency of a Licensee**

A Licensee is deemed to be insolvent if his financial position becomes unstable and he stops paying his due debts other than administrative fines and whatever type of tax.



### **Article (134)**

#### **The Effects of Insolvency**

The insolvent Licensee shall immediately cease to carry out any Regulated Service, make any payments or to carry on any business whatsoever in relation to Regulated Service, unless otherwise agreed in writing by the Central Bank.

### **Article (135)**

#### **Judicial Compensation**

Upon the request of the Central Bank, the liquidator or the external administrator, a compensation ruling may be passed against any official or employee of the Licensee who violated or permitted violation of the provision of Article (134) of this law, if such official or employee was fully aware or he should have been aware of the fact that the Licensee is insolvent and the said Licensee incurred losses by reason of such violation.

## **Chapter 2**

### **Placing a Licensee Under Administration**

### **Article (136)**

#### **Reasons for Placing a Licensee Under Administration**

- a) The Central Bank may, pursuant to a justified resolution, assume the administration of a Licensee or may appoint another person (the “External Administrator”) to conduct the administration of a Licensee on behalf of the Central Bank under any of the following circumstance:
- 1) If the Licensee becomes insolvent or appears most likely to be insolvent.
  - 2) If the license is amended or cancelled pursuant to the provisions of items (1) and (3) of paragraph (c) of Article (48) of this law

- 3) If the Licensee continued to provide regulated services which resulted in inflicting damages to financial services industry in the Kingdom.
- b) In this part the term administrator denotes the Central Bank if it assumes the administration of the Licensee or any external administrator to be appointed for this purpose.

### **Article (137)**

#### **Appointment of External Administrator**

- a) The Central Bank shall specify the terms and conditions pursuant to which the External Administrator shall practice his duties and obligations.
- b) The External Administrator shall act in accordance with any instructions that the Central Bank may issue from time to time, and he shall submit the reports relevant to the administration to the Central Bank.
- c) The Licensee shall bear all administration costs and expenses including the External Administration fees.

### **Article (138)**

#### **Announcement of Placing a Licensee Under Administration**

- a) The Administrator shall, promptly after assuming the administration of a Licensee, publish a notice to this effect in the Official Gazette and in one Arabic and one English language newspaper published in the Kingdom, and to show such notice in every place of business of the Licensee in the Kingdom all through the period in which he assumes the administration.
- b) The appointment of the Administrator shall only have effect on the day following the publication of such notice pursuant to the provision the preceding Article.
- c) The phrase “In Administration” shall be added after the name of the Licensee on all relevant correspondences during the period of administration.

### **Article (139)**

#### **Appeal Against Placing the Licensee Under Administration**

- a) A Licensee may, within the ten days following the date of publication of the decision of placing it under administration, appeal to the Central Bank against such decision. The appeal should be submitted in the form prepared by the Central Bank for this purpose and accompanied by such supporting documents and information as the Central Bank may specify.
- b) A decision should be reached with regard to the said appeal, and the appellant should be notified with the decision in writing within fifteen days as of the date of submitting such appeal. However, reasons must be given in case of rejecting the appeal.
- c) The Licensee may challenge, before the Competent Court, the decision of administration or rejection of his appeal, within thirty days as from the date he receives such decisions.

### **Article (140)**

#### **Powers of the Administrator**

*“As amended by Law No. (21) of 2016”*

- a) The Administrator shall have all the powers necessary for the management and running the business of the Licensee, including the following:
  - 1) The power to continue or to temporary suspend the Licensee operations.
  - 2) The power to suspend or limit the discharge of financial obligations of the Licensee.
  - 3) The power to conclude agreements and to sign any documents on behalf of the Licensee.

- 4) The power to commence and defend any legal proceedings in the name of the Licensee, or taking any other legal proceedings to which the Licensee is a party.
- b) Without prejudice to the provision stated in paragraph (a) of the preceding article, the Administrator may carry out the following:
- 1) Declare a moratorium in respect of any debts of the Licensee.
  - 2) Discharge obligations of the Licensee to certain creditors in preference to other creditors, if this is in the advantage of the Licensee.
  - 3) Dismiss officers and employees of the Licensee, provided that reasons should be given for the dismissal decision.
  - 4) Appoint officers and employees for the Licensee.
  - 5) After obtaining the approval of the Competent Court, and without prejudice to market agreements and, where applicable, the rights of the other party to be compensated, the administrator may nullify any agreement entered into by the Licensee before placing the Licensee under administration if such action is in the interest of the Licensee or taken to protect the interests of its customers, or to avoid occurrence of an irrevocable damage.
  - 6) Undertake any necessary actions in the interest of the Licensee and for the protection of the interests of its customers and creditors.
- c) The Administrator may, in the course of realizing the best financial situation to safeguard the properties and rights of Licensee's customers and creditors and the shareholders, sell some of the Licensee's assets, properties and proceeds, or merge it with any other financial institution able to take care of it, for the purpose of safeguarding the interests of the Licensee's customers, creditors and shareholders.

**Article (141)**

### **Duties of the Administrator**

- a) The Administrator shall, within thirty days of his assuming the administration of a Licensee, make an inventory of the rights, assets and liabilities of the Licensee. A report of two copies should be prepared on such inventory, a copy of which shall be kept at the principal place of business of the Licensee in the Kingdom and shall be available for inspection by creditors and other interested parties. The other copy shall be kept at the Central Bank.
- b) The inventory report should be updated from time to time taking into consideration the requirements of the previous paragraph.
- c) The Administrator shall take all necessary measures, during the period of administration, to collect all of the entitlements due to the Licensee.

### **Article (142)**

#### **Suspension of Proceedings**

*“As amended by Law No. (21) of 2016”*

During the period of the Licensee being under administration, the Court or any authority having judicial competence may, upon the Administrator’s request and while the case is being heard or a judgment related to one of the matters entailing financial obligations to the Licensee being enforced, suspend any proceedings or measures in respect of the enforcement of security over the Licensee’s property, if such measures would prejudice the rights of the shareholders or the Licensee’s customers or the creditors, or would undermine the objective for which the Licensee has been put under administration.

The Court shall decide on the suspension request referred to, within 60 days from the date of the request being deposited with it. In case a suspension judgment is issued, it shall remain valid throughout the period the Licensee is under administration. A request may be filed to renew the suspension period after its

expiry, if the term of the Licensee being under administration is renewed, using the same measures and under the same terms and conditions referred to.

### **Article (143)**

#### **Termination of Administration**

The Administrator shall submit, with the prior approval of the Central Bank in case of an External Administrator, within a period of two years from the commencement of the administration of a Licensee, a petition to the Competent Court for compulsory liquidation of the Licensee or otherwise to terminate the administration and restore the management to the officials of the Licensee.

### **Chapter 3 Compulsory Liquidation**

### **Article (144)**

#### **Application for Compulsory Liquidation**

- a) The Administrator, the Licensee or any of its creditors may submit a petition to the Competent Court for compulsory liquidation of the Licensee. A copy of this petition shall be served at the principal place of business of the Licensee in the Kingdom and shall be made available to the shareholders and creditors of the Licensee. Any interested party may take an official copy of the same petition.
- b) The person who submits the petition for compulsory liquidation shall advertise such petition, at least fifteen days before submitting the same to the Competent Court, in the Official Gazette and in one Arabic and one English language newspapers.

### **Article (145)**

### **Decision on the Petition of Compulsory Liquidation**

- a) The Competent Court may impose, during the hearings of a petition for compulsory liquidation, upon the relevant Licensee any measure it considers appropriate including extending the period of placing the Licensee under administration for more than two years and determining the terms and conditions in connection with such extension.
- b) The Central Bank, the officials of the Licensee and its shareholders and creditors may collectively or individually, have the right of intervention before the Competent Court during the hearings of the petition for compulsory liquidation of the Licensee.
- c) Subject to the provisions of the law, the Central Bank may issue directives in connection with liquidation of the Licensees in general or liquidation of any specific category thereof, to be used as a guidance during the hearing of liquidation petition.
- d) The Court may order the compulsory liquidation of the Licensee under any of the two following circumstances:
  - 1) If the Licensee proved to be insolvent
  - 2) If compulsory liquidation is decisively proved to be a just and equitable action.

Where compulsory liquidation of a Licensee is ordered, the court shall appoint a liquidator and determine his fees under the guidance of the Central Bank with respect to this issue.

The fees of the liquidator and all other expenses of the liquidation shall be paid by the relevant Licensee. During liquidation hearings, the phrase “In Liquidation” shall be added after the name of the Licensee on all relevant correspondences.

### **Article (146)**

#### **Exchange of Information During the Period of Compulsory Liquidation**

- a) The liquidator shall provide, upon request, the Central Bank with any necessary information relating to the Licensee in liquidation or its creditors, or reports relating to the progress of liquidation proceedings.
- b) The Central Bank shall provide, upon request, the liquidator with necessary information relating to the Licensee in liquidation, or in relation to any compensation scheme operated pursuant to Article (177) of this Decree.

### **Article (147)**

#### **Powers of the Liquidator**

- a) Without prejudice to the provisions of the following paragraph, the liquidator shall have all the necessary powers to carry out compulsory liquidation of the Licensee, and he shall also have the right to take any necessary measures to complete the process of such liquidation.
- b) The liquidator must obtain the prior written approval of the Competent Court for any of the following actions:
  - 1) Sale any of the assets or properties of the Licensee in liquidation the market value of which exceeds one hundred thousand (100,000) Bahraini Dinars.
  - 2) Transfer or allocation of any of the assets or properties of the licensee in liquidation as a security for any debt owed by the Licensee.
  - 3) Settlement of any claim or waiver of any right of the Licensee where its value exceeds fifty thousand (50,000 Bahraini Dinars).

### **Article (148)**

#### **Termination of Contracts Entered into Prior to Liquidation**

The liquidator may, upon the approval of the Competent Court and without prejudice to market contracts entered into by the Licensee, and where applicable, the rights of



the other party to the contract in obtaining compensation, declare any agreement entered into by the Licensee, prior to placing thereof under liquidation, null and void if such measure is deemed to be in the advantage of the Licensee or taken to protect the interests of the Licensee' customers or to avoid occurrence of irrevocable damage.

### **Article (149)**

#### **General Duties of the Liquidator**

- a) The liquidator shall ensure that the assets and properties of the Licensee under liquidation are properly accounted for, collected, realised and distributed to the Licensee's creditors and, the surplus, if any, shall be distributed to the entitled persons.
- b) The assets of the Licensee in liquidation shall not include any financial trusts that the Licensee holds as a trustee.

### **Article (150)**

#### **Notification of Creditors**

The liquidator shall, within thirty days of his appointment, notify all creditors of the Licensee under liquidation, who are registered in its records, of the decision of such appointment. The notice should be served by a recorded letter accompanied by prove of receipt.

The liquidator shall, within sixty days following the date wherein the decision of appointing him was issued, take such necessary measures to terminate the activities of the Licensee.

### **Article (151)**

#### **Submission of Claims Related to Compulsory Liquidation**

The creditors of the Licensee in liquidation who seek to recover all or part of their debts, shall submit a written claim to this effect to the liquidator, and the liquidator should send application forms to all of the creditors of the Licensee listed in his records accompanied by the notice stated in Article (150) of this law, and it should be made clear in the form that it should be completed and returned to the liquidator within no more than sixty days as from the date the form is dispatched.

### **Article (152)**

#### **Determination of Claims**

The liquidator should, within six months immediately following the expiration of the period specified under Article (151) of this law or such other period as may be specified by the Competent Court, reach a decision on the claims submitted by the creditors of the Licensee in liquidation, whether by accepting thereof totally or partially, or by rejection. The applicant should be notified of the decision made on his claim by means of a recorded letter accompanied with prove of receipt. The applicant shall have the right to challenge the decision of the liquidator before the Competent Court within fifteen days as from the date he receives the decision notification.

### **Article (153)**

#### **Conduct of the Liquidation**

Subject to the provisions of Article (149) of this law, the liquidator shall carry out the following:

- 1) Submit his proposals for the conduct of liquidation to the Competent Court. These proposals shall be notified to all creditors and shareholders of the Licensee, and any other interested parties.

2) Comply by orders of the Competent Court in relation to publication of such proposals.

Any creditor or shareholder of the Licensee in liquidation or any other interested parties may, within a period of thirty days as from the date they were notified of the proposals, challenge such proposals before the Competent Court.

The Competent Court may upon receiving such challenge in accordance with this Article, make amendments to the liquidator's proposals as it deems fit.

#### **Article (154)**

##### **Interim and Final Distributions**

The liquidator may, with the approval of the Competent Court, make partial distributions to creditors whose claims have been accepted in accordance with the provisions of Article (152) of this law.

The liquidator shall make the final distribution after all claims are determined.

#### **Article (155)**

##### **Determination of Due Amounts**

The liquidator shall take into consideration in determining the amounts due to each creditor, the administration costs incurred all through the period in which the Licensee was placed under administration.

The liquidator may, upon the approval of the Competent Court, distribute among the creditors of the Licensee in Liquidation any properties which are, due to their nature or any other reasons, not ready to be disposed of, if such distribution is in the interest of the creditors.

#### **Article (156)**

##### **Priority of Claims**

- a) The rights pertaining to any of the following shall have preferences over the property of the Licensees in liquidation.
- 1) The Administrator's fees and reasonable expenses incurred by the Administrator during the administration period of the Licensee, and the wages and salaries of the officers and employees of the Licensee up to the date on which the petition for compulsory liquidation was filed at the competent court or the date of termination of the relevant contract of employment whichever is earlier.
  - 2) The liquidator's fees and reasonable expenses incurred by the liquidator during the period of liquidation.
  - 3) Fees and taxes due to the Government, its organisations, Agencies and the Central Bank.
  - 4) Deposits and loans taken with the approval of the Central Bank to protect the Licensee from insolvency.
  - 5) Deposits of value not exceeding twenty thousand (20,000) Bahraini Dinars per depositor.
  - 6) Other deposits that exceed the amount stated in the previous item and all other unsecured debts due upon the Licensee.
  - 7) Amounts due to the shareholders in proportion to their respective shares.
- b) Each of the rights stated in the items of the above paragraph shall all have equal status and shall be paid in full after settling the rights of higher priority according to the order of priority in the above paragraph, unless the assets are inadequate to meet all of the said rights, then such debts should be reduced in equal proportions.
- c) The secured debts of the creditors of the Licensees and the current settlements taking place in the clearing house of the stock exchange shall be paid without reference to the order of priority set in paragraph (a) of this Article.

- d) Interest due on the debts of the Licensee shall accrue up to the date of filling the petition for the compulsory liquidation to the Competent Court or any date agreed by the Licensee and its creditors whichever is earlier,

### **Article (157)**

#### **Final Accounts of Liquidation**

After completion of distribution of all assets of the Licensee in liquidation, the liquidator shall submit within a period not exceeding three months final liquidation accounts to the Competent Court and the Central Bank.

### **Article (158)**

#### **Void Transactions**

- a) The Licensee under liquidation is prohibited from undertaking any of the following actions during the “Prohibition Period” stated in paragraph (b) of this Article:
- 1) Concluding any transaction at an undervalue with any person.
  - 2) Entering into a transaction for the purpose of defrauding any of its creditors.
  - 3) Giving preference to any person,
- b) The expression “Prohibition Period” referred to in the preceding paragraph shall denote the following:
- 1) A term of two years prior to the date in which the Licensee was placed under administration or the date in which the liquidation ruling was issued, if the date of the ruling does not precede the date of placing the Licensee under administration. This term applies to any transaction concluded, or priority given to any person who has relation with the Licensee, in violation of the provision of the above Article.

- 2) Six months prior to the date of placing the Licensee under administration or the date of issuing the liquidation ruling if the Licensee was not placed under administration. This term applies to any transaction concluded, or priority given to any person who has no relation with the Licensee, in violation of the provision of paragraph (a) of this Article.

### **Article (159)**

#### **A Person in Relation with the Licensee**

For the purpose of implementing the provisions of the preceding Article, a person is considered as having relation with the Licensee if he is a member of the board of directors, an official or a partner of the Licensee.

## **PART 11 PENALTIES**

### **Article (160)**

Without prejudice to any greater penalty prescribed in the Penal Code or under any other law, any person who violates the provisions of paragraph (a) of Article (14) of this law shall be punishable by temporary imprisonment or a fine not exceeding ten million (10,000,000) Bahrain Dinars or by either penalty, and the Court shall confiscate the proceeds of the crime.

### **Article (161)**

Without prejudice to any greater penalty prescribed under the Penal Code or any other law, any person who contravenes the provisions of Articles (40), (41), and the Regulations issued according to Article (42) of this law shall be liable to a fine not

exceeding one million (1,000,000) Bahraini Dinars, and the Court shall confiscate the proceeds of the crime.

#### **Article (162)**

Without prejudice to any greater penalty prescribed under the Penal Code or any other law, any person who breaches any of the provisions of paragraphs (a) and (b) of Articles (52), Articles (54), (55), (56), paragraph (a) of Article (57) and Article (58) of this law shall be liable to a fine not exceeding fifty thousand (50,000) Bahraini Dinars.

#### **Article (163)**

Without prejudice to any greater penalty in the Penal Code or under any other law, any officer or employee of a Licensee or a listed company shall be punished by imprisonment and a fine not exceeding twenty thousand (20,000) Bahraini Dinars, or by either penalty, if he:

- 1) Concealed any records, information or documents relevant to the activities of the Licensee, requested by the Central Bank or any person appointed by the Central Bank to conduct an investigation or inspection on the business of the Licensee or the Listed Company, or provides any of them, in a bad faith, with statements or information which proves to be false or misleading or do not reflect the actual financial position of the Licensee or the Listed Company.
- 2) Concealed from the external auditor any records, information or documents necessary for auditing the accounts of the Licensee or the listed company, or provides him in a bad faith, with misleading or inaccurate statements or information which do not reflect the actual financial position of the Licensee or the listed company.

### **Article (164)**

Without prejudice to any greater penalty prescribed under the Penal Code or any other law a punishment of imprisonment and a fine of not less than Bahraini Dinars ten thousand (10,000) and no more than Bahraini Dinars fifty thousand (50,000) or either penalty shall be imposed upon:

- 1) Any official or employee of an insurance company dealt in the name of the company with an actuary expert, consultant, inspection and loss adjuster, insurance broker or insurance representative who is not registered in the registers stated in Article (74) of this law, while he was fully aware of such fact.
- 2) Any person who represents an insurance or reinsurance company without being registered on the Central Bank's register stated in Article (74) of this law.
- 3) Any Manager, Director, Auditor, actuary expert or any person entrusted with the management of an insurance company, who fails to take the necessary measures for the formation of reserve funds and to maintain the same according to the requirements of this law.

### **Article (165)**

Without prejudice to any greater penalty prescribed under the Penal Code or any other law, a punishment of imprisonment and a fine of no less than Bahraini Dinars five hundred (500) and no more than Bahraini Dinars three thousand (3,000) or by either penalty, shall be imposed upon any person who mediated in conclusion of insurance or reinsurance transactions or pursued the business of insurance actuary, insurance consultant or inspection and loss adjuster without having his name registered on the Central Bank's Register referred to in Article (74) of this law.

### **Article (166)**



Without prejudice to any greater penalty prescribed under the Penal Code or any other law:

- a) A punishment of imprisonment and a fine not exceeding (10,000) ten thousand Bahraini Dinars, or either penalty, may be imposed upon any person who in violation of Article (81) of this law issued securities or put thereof privately or publicly into circulation.
- b) A punishment of imprisonment and a fine not exceeding three thousand Bahraini Dinars (3,000) or either penalty, may be imposed upon any person held responsible for preparing the prospectus pursuant to the provision of Article (85) of this law and intentionally included therein false or misleading information or data.

#### **Article (167)**

Without prejudice to any greater penalty prescribed in the Penal Code or under any law, a person who contravenes Article (100) of this Law, while he is fully aware, shall be liable to imprisonment for a term not exceeding six months and a fine not exceeding Bahraini Dinars (10,000) or either penalty.

#### **Article (168)**

Without prejudice to any greater penalty prescribed under the Penal Code or any other law, a person who contravenes Article (106) of this law is guilty of an offence of market manipulation and shall be liable to imprisonment for a term not exceeding six months and a fine not exceeding Bahraini Dinars ten thousand (10,000) or either penalty.

#### **Article (169)**

Without prejudice to any greater penalty stated under the Penal Code or any other law, a punishment by imprisonment and a fine not exceeding twenty thousand (20,000) Bahraini Dinars, or by either penalty, shall be imposed upon any official or employee of the Licensee who acts or permitted an action in violation of Article (134) of this Decree, if he knows or should have known that the Licensee is insolvent.

#### **Article (170)**

Without prejudice to any greater penalty prescribed under the Penal Code or any other law:

- 1) A person shall be liable to imprisonment for a term not exceeding five years and a fine not exceeding twenty thousand (20,000) Bahraini Dinars, or by either penalty, if he falsifies, conceals, destroys or otherwise disposes of a document which he knows or he should know that such document is relevant or shall be of relevance to a current investigation or an investigation likely to be conducted in accordance with Chapter (1) of Part 9 of this Law. Any person participates in such offence shall be liable to the same penalty of the principal offender.
- 2) A person shall be liable to imprisonment for a term not exceeding three months, or a fine not exceeding three thousand (3,000) Bahraini Dinars, or either penalty, if he intentionally obstructed any investigation carried out by the Central Bank or an investigator appointed by the Central Bank.

#### **Article (171)**

Without prejudice to any greater penalty prescribed under the Penal Code or any other law, a person who discloses in bad faith any Confidential Information in contravention of the provisions of Part 8, shall be liable to imprisonment and a fine not exceeding Bahrain Dinars ten thousand (10,000) or either penalty.

### **Article (172)**

Any legal person shall be liable and punished under criminal law by a fine not exceeding two hundred thousand Bahraini Dinars, if any of the crimes stated in this Decree are committed in his name or for his account or by means of any of his facilities, and this was a result of any action or gross negligence, or by the approval or under covering of any member of the board of directors or any other official of that legal person or any person who acts in such capacity.

## **PART 12 MISCELLANEOUS PROVISIONS**

### **Article (173)**

- a) The Central Bank must present to the Minister regular reports on the activity, operation and achievements of the Central Bank, as well as any performance obstacles, that it may be facing and the steps taken to resolve them. The Minister shall have the right to ask the Central Bank to provide him with any documents, information, resolutions, minutes, records or reports necessary for him to be able to supervise the Central Bank's operations in accordance with paragraphs (b) and (c) of this Article.
- b) Without prejudice to the autonomy of the Central Bank in performing its duties and authority pursuant to this law, the Minister shall monitor the Central Bank's adherence to the provisions of this law and the general economic policy of the Kingdom, and the extent of its effectiveness and efficiency in performing its duties. The Minister may request at any time from the external auditor to expand

the scope of its audit in relation to any matter relating to the activity of the Central Bank or to investigate any matter within that scope.

- c) Should the Minister find any conflict between the activities of the Central Bank and the provisions of the law or the general economic policy of the Kingdom, or if he finds that the Central Bank is not performing its duties efficiently and effectively, he must object to that and inform the Board. If the Board insists on its opinion, it shall present the matter again to the Minister together with its justifications within a period not exceeding thirty days. The Minister shall in such a case present the conflict to the Cabinet to resolve it by an order issued within a maximum period of thirty days from the date of it being presented to it.
- d) The Minister shall be accountable to the parliament in his performance of the supervision of the Central Bank's operations.

#### **Article (174)**

##### **The Central Bank's Records**

- a) The Central Bank shall maintain a special record for each:
  - 1) Licensee.
  - 2) Listed person in any of the records required by the provisions of this law.
  - 3) Competent person pursuant to the decision issued in compliance with paragraph (b) of Article (65) of this law.
- b) The Central Bank may maintain any other files as deemed necessary for carrying out the duties assigned thereto by virtue of this Decree
- c) Files referred to shall include documents, information and data necessary for achieving the objectives of the Central bank.
- d) The said files shall be kept in the head office of the Central Bank in an appropriate manner including saving thereof in electronic format, taking into consideration

that adequate measures are followed to secure the safety of such files and its availability for reviewing at any time.

- e) Interested persons may, according to rules and measures determined by the Central Banks, have access to the files referred to in this Article and obtain official copies of any paper documents, information, or data contained therein.

### **Article (175)**

#### **Limit of Responsibilities Towards Others**

- a) Neither the Central Bank nor any of its employees shall be responsible for any procedure, action or forbearance that resulted in inflicting damages to others if such procedure, action or forbearance was performed in the course of execution of the duties and responsibilities of the Central Bank and within its authorities as specified in this law and the regulations and bylaws issued in implementing it.
- b) Neither the Administrator nor the liquidator shall be held responsible for any procedure, action or forbearance that resulted in inflicting damages to others if such procedure, action or forbearance was performed in the course of execution of their duties and responsibilities as specified in this law and the regulations and bylaws issued in implementing it.
- c) The provisions of the preceding paragraphs shall not have effect if such procedure, action or forbearance constitutes gross negligence or done in a bad faith.

### **Article (176)**

#### **Dispute Resolution**

- a) Dispute Resolution Committee shall be established in the Central Bank and shall have the exclusive authority for settling disputes between the Licensees. The

Committee shall be formed by a resolution to be made by the Council every three years as follows:

1) Three judges of the High Court of Appeals to be delegated by the High Judiciary Council. The Committee shall be chaired by the most senior judge among the three.

2) Two of the senior officials of the Central Bank or two qualified personnel with high caliber in finance services to be nominated by the Governor.

The two members of the Committee, other than the judges, shall take oath before the chairman of the Committee to the effect that they will carry out their mission sincerely and with conscience, and to participate in the discussions of the committee without having the right of voting with respect to the decisions issued by the committee.

The decisions of the Committee shall be explained and reached by majority vote; however, in case of a tie vote the chairman's side shall have the casting vote. Such decisions, after drafting the same by the clerks of the said court, shall have the force of a resolution issued by the High Court of Appeals. The execution judge shall undertake the implementation of the decisions taken by the committee pursuant to the provisions of the Civil and Trade Procedure Law. The Committee may decide to hear the witnesses and to assign experts to investigate all documents relevant to the dispute and take all measures necessary to settling thereof. The Minister of Justice, in agreement with the Council, may issue a resolution to specify the procedures to be followed in presenting a dispute before the Committee and the manner of delivering the Committee's decisions to the relevant parties, and the remuneration of the members of the Committee.

b) The Council may issue Regulations establishing appropriate schemes under which disputes between Licensees and others can be resolved amicably.

## **Article (177)**

### **Protection of Deposits and Other Rights**

- a) The Council may issue regulations to protect deposits and other rights of the customers of the Licensee. Such regulations shall provide for compensating such customers in cases where the Licensee is unable, or appears likely to be unable to meet claims made against him. The regulation may provide for formation of one or more funds. Such funds shall constitute a separate corporate body and have independent balance sheet and special regulations to be approved by a resolution issued by the Central Bank.
- b) The Central Bank shall issue a decision to determine such deposits and other rights specified in this Article.

## **Article (178)**

### **Ownership of Securities**

The Central Bank may issue Regulations and make provisions for enabling title to Securities, including bearer Securities, to be evidenced and transferred without need to produce written instrument

## **Article (179)**

### **Formation of Societies**

*“As amended by Law No. (21) of 2016”*

Licensees may form one or more professional societies which shall have independent balance sheets and ordinary personalities to co-ordinate and seek to achieve co-operation between the members.

The Central Bank shall have the exclusive authority, in accordance with the rules and procedures which the Central Bank may by Regulation specify, to sanction the

establishment of such societies, approve their registration and constitutions and exercise control over them.

**Article (179)bis.**

**Bahrain Institute for Banking and Finance**

*“As amended by Law No. (21) of 2016”*

Bahrain Institute for Banking and Finance shall be subject to the supervision and control of the Central Bank of Bahrain, and shall be re-organized in accordance with Articles of Association to be issued by virtue of a resolution of the CBB’s Board of Directors, and the BIBF shall have a Board of Directors chaired by the Governor and with members representing the financial sector, to be appointed by a resolution of the CBB’s Board of Directors.

The BIBF shall have a corporate character and an independent budget, and its Articles of Association shall define its resources, provided that they should include annual amounts paid by the Licensees against the services provided by the BIBF on the basis of the training programme drawn up in this respect.

The BIBF may provide its services to the Licensees and to third parties under another than the programme referred to in the preceding paragraph.

**Article (180)**

**Fees and Consideration for the Services**

*“As amended by Law No. (21) of 2016”*

- a) A fee may be levied in any of the following cases:
- 1) Granting any licenses pursuant to the provisions of this law.
  - 2) Registering or renewal of registration of persons in the records, in which registration is required pursuant to the provisions of this law, for pursuing business at any financial institution in the Kingdom.



- 3) Reviewing any of the records referred to in the above item, the register of financial institutions licenses, or the files referred to in Article (174) of this law and obtaining official copies of any documents, papers, data or information from such records or files.
  - 4) Obtaining an official copy of the petition for compulsory liquidation pursuant to the provision of Article (144) of this law.
- b) A consideration shall be levied against the other services rendered by the Central Bank of Bahrain.
  - c) A resolution shall be issued by the Board of Directors specifying the services, fee categories and consideration for the services referred under Paragraphs (A) and (B) of this Article.

#### **Article (181)**

##### **Cash Deposits**

The Central Bank may issue Regulations governing deposits of the Licensees with the Central Bank. Such regulations shall specify the categories obliged to make the deposit, the amount of the deposit or the minimum amounts to be deposited in cash.

#### **Article (182)**

##### **Provision of Assistance**

The Central Bank may provide necessary assistance to any Overseas Court or authority having the competence to decide a petition of insolvency of any Licensee.

### **PART 13 TRANSITIONAL PROVISIONS**

#### **Article (183)**

### **Replacing Bahrain Monetary Agency by the Central Bank**

- a) The Central Bank shall replace the Bahrain Monetary Agency in its rights and obligations. The existing Board of the Bahrain Monetary Agency, at the effective date of this law, shall continue in practicing its authorities until such time as a new Council is formed in accordance with the provisions of this law.
- b) Banknotes and coins issued by the Bahrain Monetary Agency shall retain their discharging force of the full amount of their face value within the limits stated in Article (14) of this law.

### **Article (184)**

#### **Approval of Licensees**

Licenses granted by the Bahrain Monetary Agency, Bahrain Stock Exchange and the Ministry of Commerce to financial institutions prior to the date wherein this law came into effect, shall be valid. This holds true to registration of entities registered, pursuant to the provisions of Decree Law No. (17) of 1987 with respect to Insurance Companies and Corporations, prior to the date wherein this law came into effect, provided that such Licenses or registration of such persons are valid at the effective date of this law.

### **Article (185)**

#### **Correction of Positions**

Any person who, at the effective date of this law, provides any of the Regulated Services, other than the persons and organizations referred to in the preceding Article, shall promptly correct his position in accordance with the provisions of this law within six months of the date in which this law came into effect.

### **Article (186)**

#### **The Bahrain Stock Exchange**

The Bahrain Stock Exchange established and regulated by Decree Law No. (4) of 1987 shall be treated as if it is licensed under this law.

#### **Article (187)**

##### **Securities**

Securities issued prior to the enforcement of this law shall hold valid; likewise, shall be considered as valid, the Securities registered on the Bahrain Stock Exchange at the time when this law came into effect.

#### **Article (188)**

##### **Deposit Protection Scheme**

The Deposits Protection Scheme in place at the effective date of this law shall continue to be in force until it is amended or repealed pursuant to the provisions of this Law.