



## CBB's Rulemaking Instruments

### Regulations and Directives

The Central Bank of Bahrain has two formal rulemaking instruments, under the provisions of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law'):

"Regulations" are made pursuant to Article 37 of the CBB Law. These instruments have general application throughout the Kingdom and bind all persons ordinarily affected by Bahraini legislative measures (i.e. residents and/or Bahraini persons wherever situated). Because regulations have wide general application, they are subject to two important safeguards:

- *Firstly*, the CBB is under a duty to consult with interested parties and to review and consider their comments; and
- *Secondly*, the finalised regulations only become effective after they are published in the Official Gazette.

"Directives" are made pursuant to Article 38 of the CBB Law. These instruments do not have general application in the Kingdom, but are rather addressed to specific licensees or categories of licensees. Directives are binding on those to whom they are addressed. There is no duty on the CBB to either consult with addressees or publicise a Directive (save that an addressee must obviously have actual or constructive notice of a Directive); however, as a matter of general policy, CBB also consults on rules and guidance issued by way of a Directive.

### Other Communications

The CBB also communicates with its licensees in two other ways:

- (i) It sometimes issues "notices" pursuant to Article 38 of the CBB Law. These are not strictly rulemaking instruments, but they may contain important information which licensees should be aware of and/or act on, depending on the contents of the Directive; and



- (ii) It gives “instructions” to licensees (either in face-to-face meetings, or via telephone, email, fax etc.). Although these are not formal rulemaking instruments, licensees must weigh the gravity of the instruction being communicated and, in appropriate circumstances, treat the instruction as though it were a properly issued Directive. On request, or where CBB itself feels such a step may be helpful, it will confirm in written form (letter, fax, email), that the instruction has the effect of a Directive.

#### Status of the CBB Rulebook

All of the content of the CBB Rulebook has the legal status of at least a Directive issued pursuant to Article 38 of the CBB Law. Where the content is formatted as a rule (as opposed to guidance), it is a mandatory requirement and must be complied with by those to whom that rule is addressed.

At the start of each Module contained in the CBB Rulebook, a section specifies the legal basis and status of the Module content, as well as the categories of licensees to which the content of the Module applies.

Certain of the requirements contained in the CBB Rulebook may also have the status of a Regulation, in which case they will also be separately issued pursuant to Article 37 of the CBB Law and published in the Official Gazette. Where this is the case, then the Rulebook will cross-refer to the relevant Regulation.

In keeping with the nature of these regulatory instruments, Regulations are used to supplement the CBB Rulebook, either where explicitly required under the CBB Law, or where a particular requirement needs to have general applicability, in addition to being applied to licensees.