



OG/182/2024  
8<sup>th</sup> July 2024

**Chief Executive Officer**  
All Conventional Banks  
Manama  
Kingdom of Bahrain

Dear Sir/ Madam,

**Second Consultation: Capital Adequacy Module, Part 2 (Module CA)**

Following receipt of feedback from banks on the CBB's initial consultation, dated 1<sup>st</sup> August 2023 on the proposed amendments to Part 2 Credit Risk, Capital Adequacy Module (Module CA) of the CBB Rulebook – Volume 1, the CBB is pleased to issue a second consultation. The proposals set out in this consultation aim to enhance risk measurement and improve allocation of capital for credit risk exposures.

Attached hereto are the following proposed draft documents in this regard:

1. Proposed draft Module CA, Part 2, Credit Risk;
2. Proposed draft of Appendix CA-2, Definitions and General Terminology - Treatment of Counterparty Credit Risk and Cross-product Netting;
3. Proposed draft of Appendix CA-4, Capital treatment for failed trades and non-DvP transactions; and
4. Proposed draft of Appendix CA-24, Simple, transparent and comparable term securitisations - Criteria for regulatory capital purposes.

The second consultation draft takes onboard practical issues raised by some of the conventional banks. The CBB would like the banks to review the revised draft and undertake an impact assessment for the CBB to study implications further.

In order, however, to facilitate the finalisation of licensees' feedback on this 2<sup>nd</sup> consultation, the CBB has attached a document that contains the feedback received from individual licensees on the 1<sup>st</sup> consultation together with the CBB responses to them.

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



Central Bank of Bahrain



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The proposed Module shall be available on the CBB website ([www.cbb.gov.bh](http://www.cbb.gov.bh)) under the “Open Consultations” section.

The CBB requests you to provide your response to the consultation questionnaire and any further comments on the proposed Module, including ‘nil comments’, in an editable format to [consultation@cbb.gov.bh](mailto:consultation@cbb.gov.bh) by 1<sup>st</sup> September 2024.

Yours faithfully,

**Khalid Humaidan**

Governor

cc: Bahrain Association of Banks  
External Audit Firms

## Annex: Consultation questionnaire

1. How would you realign your internal process and systems, including data sources to calculate the credit risk weighted assets for exposures to address the changes in the requirements?
2. Which areas are the most complex for your bank and what systems and processes are needed to address them?
3. Are your IT systems and databases capable of producing the information required?
4. Does your bank have quantitative skillsets to address the complex risk measures in the CA Module?
5. What would be the impact of the changes to the risk weights in different categories of credit risk exposures:

Class of asset	CAR before	CAR after	Comments
Claims on banks (for SCRA, a rough calculation will suffice)			
Claims on multilateral development banks			
Claims on corporates			
Claims on specialised lending			
Regulatory retail exposures			
Regulatory residential real estate			
Claims secured by commercial real estate			
Exposures secured by other real estate			
Subordinated debt, Equity and other Capital instruments			
Equity investment in funds			
Exposure to covered bonds			
Off balance sheet instruments			

6. Do you have exposures that are subject to Chapter CA-5 which deals with Standardised Approach – Counterparty Credit risk (SA-CCR)? If so, what are your plans to ensure you have the appropriate processes in place for the computations of capital charge for such exposures?
7. Do you have exposures that are subject to Chapter CA-6 which deals with Securitisation? If so, what are your plans to ensure you have the appropriate processes in place for the computations of capital charge for such exposures?