



Frequently Asked Questions  
For  
The CBB's Collective Investment Undertakings

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**August 2024**

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# 1. The CBB’s Collective Investment Undertakings “CIUs” Framework

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## 1.1 What are the key regulations and rules that govern collective investment undertakings (CIUs)?

Regulatory Body: The Central Bank of Bahrain is the principal regulatory body for CIUs.

Regulatory framework: CBB Rulebook – [Volume 7 \(Module CIU\)](#) which governs all aspects of the operation of collective investment undertakings in Bahrain, including the establishment and offering of CIUs, the Authorisation/Notification process, reporting requirement, governance, risk management, and CIU winding up process. The same is available on [CBB’s website](#).

## 1.2 What are the different legal forms that are recognised by the CBB for Bahrain domiciled CIUs?

- (a) A contractual CIU;
- (b) A trust established under the [Legislative Decree No. 23 of 2016](#) in Respect of Trusts;
- (c) A cell within a Protected Cells Company established pursuant to [Legislative Decree No. 22 of 2016](#) in respect to Protected Cells Companies;
- (d) An Investment Limited Partnership established pursuant to [Law No. 18 of 2016](#) in Respect to Investment Limited Partnerships; or
- (e) A Bahraini Shareholding Company (closed) established under the [Bahrain Commercial Companies Law](#).

## 1.3 What is the Protected Cells Company structure for?

A Protected Cells Company (PCC) is a company which has separate legal cells embedded in it, and investments in each cell are segregated from investments and liabilities in other cells. The PCC structure for Umbrella Funds (which has separate sub-Funds) allows investors to benefit from sub-Funds having different investment strategies.

## 1.4 Are ETFs within the scope of CBB’s Rulebook – Volume 7?

<i>Bahrain domiciled ETFs</i>	<i>Overseas domiciled ETFs</i>
Yes, Bahrain domiciled ETFs are subject to the requirements applicable to Bahrain domiciled retail CIUs. Please refer to <a href="#">Rule CIU – 1.5.19</a> of Module CIU of CBB’s Rulebook – Volume 7.	No, overseas domiciled ETFs are excluded from the scope of Module CIU of CBB’s Rulebook – Volume 7. Please refer to <a href="#">Rule CIU – A1.4</a> of Module CIU of CBB’s Rulebook – Volume 7.

## 1.5 What is excluded from the scope of the CIU Module?

Please refer to [Rule CIU – A.1.4](#) of Module CIU of CBB’s Rulebook – Volume 7.

## 2. Types of Collective Investment Undertakings (“CIUs”)

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### 2.1 What is a Bahrain domiciled CIU?

A CIU is either a Bahrain domiciled CIU or an Overseas domiciled CIU. A Bahrain domiciled CIU is a CIU which is established or domiciled in the Kingdom of Bahrain.

### 2.2 What are the different types of locally domiciled CIUs/PIUs that can be established in Bahrain?

	<i>Retail CIUs</i>	<i>Exempt CIUs</i>	<i>Private Investment Undertaking (PIU)</i>
<i>Level of regulations.</i>	Detailed regulations in line with IOSCO standards.	Less stringent than Retail CIUs.	Less Stringent than Exempt CIUs.
<i>Eligible Investors</i>	<a href="#">Retail Investors.</a>	<a href="#">Accredited Investors</a> and Ultra-High Net Worth Investors.	<a href="#">Ultra-High Net Worth Investors.</a>
<i>Minimum Investments</i>	As per the Prospectus.	As per the Prospectus.	As per the Prospectus.
<i>Ongoing Requirement</i>	- Audited annual financial statements and reviewed semi-annual financial statements  - <a href="#">CBB Reporting.</a>	- Only the audited annual financial statements.  - <a href="#">CBB Reporting.</a>	- <a href="#">Quarterly Statistical Return Reports.</a>
<i>Application Process</i>	Authorization.	Notification only.	Notification only.

### 2.3 Do Exempt CIUs need to distribute the reviewed semi-annual reports to the CBB and the unitholders?

No, Exempt CIU are not required to prepare semi-annual financial statements unless the CIU’s prospectus states otherwise. Please refer to the [Rule CIU 1.4](#) of Module CIU for the reporting requirements of Bahrain domiciled CIUs.

### 2.4 Does the CBB recognise specialised CIUs like REITs, Venture Capital CIUs, Hedge Funds, etc...?

Yes, the CBB recognizes the aforementioned CIUs.

## 2.5 What are the requirements for establishing a Bahrain Domiciled REIT?

Kindly refer to [Rule 1.5.17](#) (h) of Module CIU of CBB's Rulebook – Volume 7, which states that:

- i. Unless otherwise agreed with the CBB, the REIT must hold a minimum of 2 real estate properties, comprising of at least 80% of the REIT's NAV.
- ii. A maximum of 20% of the REIT's NAV may be invested in the development of existing owned property.
- iii. A maximum of 20% of the REIT's NAV may be invested in other REITs, subject to 10% investment per REIT.
- iv. Other assets of the REIT must be held in cash and cash equivalents.
- v. Invest in undeveloped land and mortgages is not permitted; and
- vi. leverage is limited to a maximum of 50% of its NAV for investment purposes.

## 2.6 Can Bahrain domiciled CIUs be listed on Bahrain Bourse?

Yes. Please refer to Bahrain Bourse's Listing [Rules](#) in this regard.

## 2.7 What is an Overseas domiciled CIU?

A Collective Investment Undertaking (CIU) established or domiciled outside the Kingdom of Bahrain is subject to the regulatory requirements of its home jurisdiction. The CBB classifies overseas domiciled CIUs into Retail CIUs or Exempt CIUs based on their risk profile and asset class/focus.

## 2.8 What are the specific requirements that pertain to Overseas domiciled retail CIU?

- The operator of the CIU must be regulated in an acceptable jurisdiction and the CIU is suitable for Retail investors in the home jurisdiction.
- The CBB is satisfied that the terms and conditions contained in the offering documents provide safeguards to investors in a manner acceptable to the CBB.
- Laws and regulations that govern the CIU provide safeguards to investors in a manner acceptable to the CBB.

## 2.9 What is a Private Investment Undertaking?

Private Investment Undertaking (PIU) is a type of collective investment undertaking (CIU) that is specifically designed for ultra-high-net-worth individuals. PIUs can be Bahrain domiciled PIUs or overseas domiciled PIUs.

PIUs are not subject to the same regulatory requirements as other types of CIUs.

## 2.10 What are the reporting requirements that a Bahrain domiciled PIU must adhere to?

Reporting the total net asset value of the PIU (resident institutions, resident individuals, non-resident institutions, non-resident individuals), as per [Rule CIU 2.1.6](#) of Module CIU.

## 3. The Authorisation/Notification regime

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### 3.1 As a licensee, how can I initiate the Authorisation/Notification process?

Kindly submit the [Authorisation/Notification forms](#) through the CBB website under the “E-Services-Online Forms” Section for processing.

### 3.2 What is the processing timeframe for the Authorization of Retail CIUs by the CBB?

After submitting a comprehensive Authorization application through CBB's website using [Form 1](#) (Retail CIU Application Form), along with all necessary supporting documents, the CBB will review and process the application within a period of 5 working days.

### 3.3 What is the process for the Notification of Exempt CIUs/PIUs?

If no feedback is received from the CBB within 5 days after submitting a Notification application through CBB's website using [Form 2](#) (Exempt CIU/PIU Notification Form), then you may start offering the CIU to eligible investors.

### 3.4 Will the CBB issue a formal letter in acknowledgment of the Authorization/Notification applications?

The CBB only issues Authorisation letters following the completion of the revision process for Retail CIUs. However, Exempt CIUs and PIUs are subject to CBB's notification regime and therefore, if no feedback is received within 5 working days, then you may start offering the CIU to eligible investors.

### 3.5 What will happen if the Bahrain domiciled CIU does not get launched within 6 months from the date of its Authorisation/Notification?

The CIU's operator must inform the CBB in writing of the reasons for the delay. The CBB may require the operator to return any monies collected from CIU participants together with any subscription fees charged as per [Rule CIU 1.2.5](#) of Module CIU.

## 4. CIUs' Documentation

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### 4.1 What documents should be submitted along with the application for Authorization/Notification of a Bahrain domiciled CIUs?

- Draft offering documents.
- Draft constituent documents of the CIU.
- Certified passport copies and CVs of the board of directors.
- A structure chart of the CIU including relevant persons and other service providers.

### 4.2 What additional documents are necessary for establishing a Bahrain-domiciled CIU if the Operator is situated outside Bahrain?

- CVs and certified passport copies of key persons of the operator.
- Proof that the operator is authorised to carry on operations of the CIU and to establish a CIU in other jurisdictions.
- Latest audited financial statements of the operator.
- A copy of the representative agreement with the CBB licensee that will be acting as its distributor within Bahrain.
- An acceptably worded undertaking to the CBB from the operator, in relation to the compliance with the provisions of the CBB's laws and Rulebook Volume 7.

### 4.3 What documents should be submitted along with the application for Authorization/Notification of overseas domiciled CIUs?

- Offering documents.
- Proof of authorisation/registration of the CIU from the regulator in its country of domicile.
- Proof of incorporation.
- A copy of the representative agreement with the CBB licensee that it will be acting as its distributor.
- Investor deceleration statements.

### 4.4 What does the representative agreement entail?

The representative agreement is a contract between the placement agent and the foreign operator/fund manager that sets out the terms and conditions for the former to be a distributor and sell units of the overseas domiciled CIU to investors in Bahrain.



#### **4.5 Does the Central Bank of Bahrain accept agreements with Allfunds Bank for the distribution of overseas domiciled CIUs?**

Allfunds Bank operates globally as a platform for distributing CIUs, acting as an intermediary that connects fund managers with financial institutions. The Central Bank of Bahrain acknowledges and accepts agreements with Allfunds Bank in this regard.

#### **4.6 What is the investor deceleration statement?**

A statement signed by the investors which declares that they have read the offering documents, understood the investment objectives and are familiar with associated risks.

## **5. Fees and Charges**

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#### **5.1 What are the fees associated with establishing a Bahrain domiciled CIU/PIU?**

The CBB charges BD 100 as processing fees, and then the Bahrain domiciled CIU/PIU is subject to an annual fee of BD 2000 payable each year before 31 March.

#### **5.2 Does the CBB charge any fees for the Authorisation/Notification of overseas domiciled CIUs/PIUs?**

The CBB does not impose any processing fees, nor does it charge an annual fee on overseas domiciled CIUs/PIUs.

## 6. The Operator of a Bahrain domiciled CIU

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### 6.1 What role does the Operator of a Bahrain domiciled CIU play?

The operator is the legal entity that has overall responsibility for management and performance of the functions of the CIU, which may include investment advice and operational services.

### 6.2 Who are eligible to operate a Bahrain domiciled CIU?

- CBB licensed Banks under CBB Rulebook [Volume 1](#) and [2](#).
- CBB licensed Investment firms under CBB Rulebook [Volume 4](#) (Category 1,2,4).
- CBB licensed Family Offices under CBB Rulebook [Volume 4](#).
- Overseas Operator/ Fund Manager regulated in a reputable jurisdiction and in a manner acceptable by the CBB.

### 6.3 Should the CIU operator notify the CBB of material changes to offering documents?

Yes, the operator has a duty to notify the CBB of the same as soon as practicable but no later than 30 calendar days as per [Rule CIU 1.4.4](#) of Module CIU.

### 6.4 Does the operator need to seek the CBB's approval prior to the distribution of dividends?

No, the operator should only notify the CBB of their intention to distribute dividends to the CIU participants.

### 6.5 As an operator of a Shariah compliant CIU, will I need to have a Shariah Supervisory Board ("SSB") for the Fund?

Yes, both the offering documents and the financial statements must be approved by the SSB.

### 6.6 Can the valuation of the CIU's asset be performed by the Operator?

No, the operator must ensure that a proper and independent valuation of the CIU's assets is performed, as per [Rule CIU 1.5.12](#) of Module CIU.

# 7. The Placement Agent of an Overseas domiciled CIU

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## 7.1 What is a Placement Agent?

A placement agent is an entity that acts as agent on behalf of the Operator or Fund Manager in placing units of the CIU.

## 7.2 Who are eligible to place units in an overseas domiciled CIU?

- CBB licensed Banks under CBB Rulebook [Volume 1](#) and [2](#).
- CBB licensed Investment firms under CBB Rulebook [Volume 4](#) (Category 1,2,4).
- CBB licensed Family Office under CBB Rulebook [Volume 4](#).

# 8. The CIUs Custodian

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## 8.1 Does the CBB require the appointment of an independent custodian for the safekeeping of the Bahrain Domiciled CIU's property?

**Retail CIUs:** Yes, a CBB licensed custodian must be appointed for the safekeeping of the Retail CIU's property.

**Exempt CIUs:** Not required for Non-Contractual Closed-Ended CIUs.

**PIUs:** At the discretion of the operator provided that sufficient safeguards are placed for the protection of the CIU's participants.

# 9. Winding Up Process

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## 9.1 Should the operator seek the CBB's approval for the winding-up of a Bahrain domiciled CIU?

Yes, the operator must seek the CBB's approval prior to taking any step to wind-up the CIU, along with a board resolution. A copy of the notice issued to the CIU participants should be provided as well. Please refer to [Chapter 5](#) of Module CIU of CBB's Rulebook – Volume 7.

## 9.2 What documentation should the operator of Bahrain domiciled CIU provide the CBB in order to complete the winding-up process?

- The final report from the liquidator/external auditor confirming the completion of the process along with the final audited accounts of the CIU.
- An independent verification by the external auditor that all the CIU's assets have been distributed to CIU participants.
- A request for the CIU to be removed from the CBB's register of CIUs.