



FIT AND PROPER REQUIREMENTS MODULE

CONSULTATION



MODULE:	FP:	Fit and Proper Requirements
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MODULE	FP: Fit and Proper Requirements
CHAPTER	FP-A: Introduction

FP-A.1 Introduction and Scope

Purpose

FP-A.1.1 This Module presents requirements that should be met by the licensees with regards to certain persons identified in this Module with respect to fitness and propriety as specified in this Module. Board directors and certain senior management functions require CBB approval.

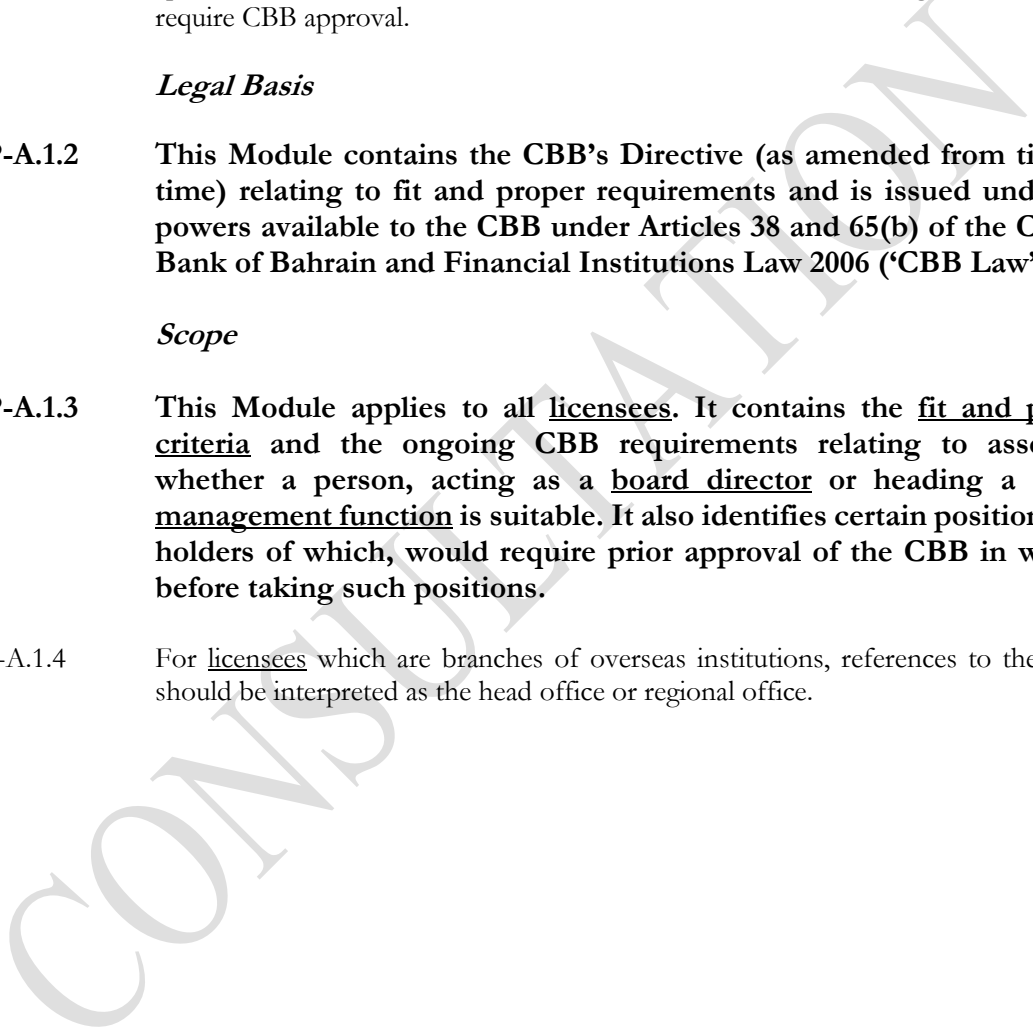
Legal Basis

FP-A.1.2 This Module contains the CBB's Directive (as amended from time to time) relating to fit and proper requirements and is issued under the powers available to the CBB under Articles 38 and 65(b) of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law').

Scope

FP-A.1.3 This Module applies to all licensees. It contains the fit and proper criteria and the ongoing CBB requirements relating to assessing whether a person, acting as a board director or heading a senior management function is suitable. It also identifies certain positions, the holders of which, would require prior approval of the CBB in writing before taking such positions.

FP-A.1.4 For licensees which are branches of overseas institutions, references to the board should be interpreted as the head office or regional office.



MODULE	FP: Fit and Proper
CHAPTER	FP-A: Introduction

FP-A.2 Module History

Evolution of the Module

FP-A.2.1 This Module was first issued in DATE 2024. However, it supersedes many of the existing requirements relevant to approved persons included previously in the relevant CBB Rulebook volumes included in different Modules relating to licensing, training and competency. These requirements will therefore represent the “fit and proper” requirements included in CBB Rulebook Volumes 1 to 6.

FP-A.2.2 A list of recent changes made to this Module is provided below:

Module Ref.	Change Date	Description of Changes

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MODULE	FP: Fit and Proper Requirements
CHAPTER	FP-1: Fit and Proper

FP-1.1 Principles and Outcomes

FP-1.1.1 Licensees must adhere to the following key principles and outcomes regarding the suitability of persons covered within the scope of this Module:

- (a) Ensure that unsuitable persons are not appointed to the board, or to senior management functions as identified by the licensee. A person is unsuitable if the person does not meet the fit and proper criteria set out in this Module;
- (b) Conduct comprehensive assessments prior to the appointment of persons covered within the scope of this Module to ensure they satisfy the CBB's fit and proper criteria;
- (c) The board and the chief executive officer are responsible for the organisation structure and for identifying the persons covered within the scope of this Module;
- (d) Ensure the identified persons continue to meet the fit and proper criteria;
- (e) Establish documented, board approved recruitment, training and competency policies, including minimum competency standards for academic and/or professional qualifications and experience, training and periodic competency assessments for persons covered within the scope of this Module; and
- (f) Promptly report to the CBB if the licensee identifies material deficiency in suitability of the persons covered within the scope of this Module.

FP-1.1.2 While licensees are afforded flexibility in determining how best to achieve the above outcomes based on their specific/ unique circumstances, they are responsible for maintaining adequate records that demonstrate their decisions and how the related outcomes have been achieved.

FP-1.1.3 With regards to competency standards referred to in Paragraph FP-1.1.1(e), Appendix FP-1 provides illustrative guidance for certain positions relevant to banks, insurance firms, category 1 investment firms and licensed exchanges. Other licensees should develop their own standards. The illustrative qualifications and core competencies are not the minimum requirements.

MODULE	FP: Fit and Proper Requirements
CHAPTER	FP-1: Fit and Proper

FP-1.2 Persons covered

FP-1.2.1 Persons covered within the scope of this Module are those positions or functions that the licensees' board and the chief executive officer identify as senior management functions. The board and the chief executive officer are responsible for the documentation of the organisation structure identifying its senior management functions and ensuring compliance with the fit and proper requirements of senior management. The reference to CEO should be interpreted as referring to individuals fulfilling the role or function corresponding to the CEO title.

Identifying Senior Management Functions

FP-1.2.2 Senior management functions are those functions that are identified in accordance with Paragraph FP-1.2.1. In identifying senior management functions, the licensee should consider the size and nature of the activities, complexity of business, organisational structure, reporting lines and the delegated authorities. The following additional criteria may be considered for such identification:

- (a) A person who has significant authority to make decisions for the whole or a substantial part¹ of the business of the licensee and can significantly impact the licensee's safety and soundness or material harm to the licensee's customers (for example, CEO/general manager, heads of key business functions). If material decisions are taken at a board or management committee level with dispersed authority, then no single individual is likely to hold such authority and would not, therefore, qualify under this definition;
- (b) A person heading a function reporting to the board and or those heading control functions (i.e. chief financial officer, chief risk officer, chief internal auditor, chief compliance officer etc.);
- (c) A person who enforces policies and implements strategies approved by the board of the licensee; or
- (d) For a licensee which is branch of an overseas entity, a person who is nominated as the senior officer by the head office to the extent that the person meets the definition in subparagraphs (a), (b) or (c) above.

FP-1.2.3 Licensees must maintain a statement of responsibilities (SOR) for all senior management functions which sets out the description of the job role outlining the function related responsibilities, reporting responsibilities, oversight responsibilities, delegated authorities and personal accountability. The SORs must be signed by the person in that relevant senior management function within one month of appointment.

¹ The licensees should determine the materiality for this criteria based on the role, authority structure, nature and range of business activities/lines. A position with board delegated authority and the ability to oversee revenue generation of 20% or more may be considered significant.

MODULE	FP: Fit and Proper Requirements
CHAPTER	FP-1: Fit and Proper

FP-1.3 Fit and Proper Criteria

FP-1.3.1 Licensees must ensure that their fit and proper criteria cover the following areas:

- (a) Honesty, integrity and reputation;
- (b) Financial soundness; and
- (c) Competency (i.e. knowledge, skills and experience).

FP-1.3.2 Licensees must establish competency standards and consistently apply policies and procedures for fit and proper assessments. Licensees must assess the suitability:

- (a) When individuals are proposed for appointment to relevant positions; and
- (b) During annual assessments of an individual's ongoing suitability.

Honesty, Integrity and Reputation

FP-1.3.3 Licensees must consider the person to have not met the criteria under FP-1.3.1 (a) whenever he displays one or more of the following:

- (a) Has previously been convicted of any felony or crime related to honesty and/or integrity unless subsequently restored to good standing;
 - (b) Was the subject of civil or criminal proceedings or enforcement action, in relation to the management of an entity, or commercial or professional activities, which were determined adversely to the person and which reflected adversely on the person's diligence, judgment, honesty or integrity;
 - (c) Has been an officer found liable for an offence committed by a body corporate where the offense was proven to have been committed with the consent, connivance, or neglect attributable to that officer;
 - (d) Has been refused the right or had restrictions placed on the individual's right to carry on any trade, business, or profession requiring a specific license, registration, or other authorisation by law in any jurisdiction;
 - (e) Has been disqualified by a court, regulator, or other competent body from acting as a board director, manager or employee of a company in any jurisdiction; or
 - (f) Has been reprimanded, or disqualified, or removed by a professional or regulatory body in relation to matters relating to the person's honesty, integrity or business conduct.
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MODULE	FP: Fit and Proper Requirements
CHAPTER	FP-1: Fit and Proper

FP-1.3 Fit and Proper Criteria (continued)

FP-1.3.4 In assessing if the criteria under FP-1.3.1(a) have been satisfied, the licensee shall also consider previous professional and personal conduct (in the Kingdom of Bahrain or elsewhere) including, but not limited to, the following:

- (a) The propriety of a person's conduct, whether or not such conduct resulted in a criminal offence being committed, the contravention of a law or regulation, or the institution of legal or disciplinary proceedings;
- (b) A conviction or finding of guilt in respect of any offence, other than a minor traffic offence, by any court or competent jurisdiction;
- (c) Any adverse finding in a civil action by any court or competent jurisdiction, relating to misfeasance or other misconduct in connection with the formation or management of a corporation or partnership;
- (d) Whether the person, or any body corporate, partnership or unincorporated institution to which the applicant has, or has been associated with as a board director, controller, manager or company secretary been the subject of any disciplinary proceeding, investigation or fines by any government authority, regulatory agency or professional body or association;
- (e) Whether the person is in breach of any financial services legislation;
- (f) Whether the person has ever been refused a license, authorisation, registration or other authority;
- (g) Is or has been subject to disciplinary proceedings by his current or former employer(s), whether in Bahrain or elsewhere;
- (h) Dismissal or a request to resign from any office or employment;
- (i) Whether the person has been a board director, partner or manager of a corporation or partnership which has gone into liquidation or administration or where one or more partners have been declared bankrupt whilst the person was connected with that partnership;
- (j) Whether he has been censured, disciplined, suspended or refused membership or registration by regulators, an operator of a market, trade repository or clearing facility, any professional body or government agency, whether in Bahrain or elsewhere;
- (k) Whether he has been the subject of any complaint made reasonably and in good faith, relating to activities that are regulated by the CBB or under any law in any jurisdiction;
- (l) Whether he has accepted civil liability for fraud or misrepresentation under any law in any jurisdiction; or
- (m) Whether there is evidence that the individual has not been transparent, open, and cooperative in his or her dealings with supervisory or regulatory authorities.

MODULE	FP: Fit and Proper Requirements
CHAPTER	FP-1: Fit and Proper

FP-1.3 Fit and Proper Criteria (continued)

Financial Soundness

FP-1.3.5 In determining if a person is financially sound as required under FP-1.3.1 (b) the following factors may be relevant and would require careful consideration as regards the circumstances and the reasons for such occurrence:

- (a) Such person was adjudged bankrupt by a court, unless a period of 5 years has passed, during which the person has been able to meet all his obligations;
- (b) Such person has failed to satisfy a judgement debt under a court order resulting from a business relationship; or
- (c) Such person has seriously or persistently failed to manage personal debts or financial affairs satisfactorily, in circumstances where such failure caused loss to others.

Competency

FP-1.3.6 Licensees must consider a person's level of knowledge, skills and experience to assess competency. A person is deemed not competent, as required under the criteria in FP-1.3.1 (c), if he does not meet the qualifications, experience, skills or other competency standards set by the licensee. The criteria must consider the following:

- (a) Suitable academic or professional qualifications and/or other certifications;
- (b) Expertise or past experience having regard to the nature of the role; and
- (c) The ability to manage and supervise the operations that fall under his responsibilities.

FP-1.3.7 Licensees should ensure that the competency standards for all management positions whether senior or otherwise consider the following:

- (a) the necessary academic, professional or industry qualifications and certifications;
 - (b) knowledge about the industry /business segment/ financial products or the operations or control activity as may be relevant to the job role;
 - (c) sufficiency of industry and management experience (where applicable);
 - (d) understanding of the regulatory framework, including the laws, regulations and associated codes governing the industry sectors; and
 - (e) knowledge and expertise for the tasks relevant to the relevant job role.
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MODULE	FP: Fit and Proper Requirements
CHAPTER	FP-1: Fit and Proper

FP-1.3 Fit and Proper Criteria (continued)

FP-1.3.8 The licensees' competency standards for the CEO and senior management functions must consider:

- (a) Education and formal qualifications/certifications;
- (b) Experience of working in financial services and other previous occupations including sufficient experience in managerial capacity (taking into account the functions performed in previous employment and the nature, scale and complexity of the businesses in which the individual was employed);
- (c) Sufficiency of the level of knowledge, for example of:
 - i. Financial markets
 - ii. Strategic and business planning
 - iii. Risk management
 - iv. Governance and complianceoversight and controls
 - v. Financial reporting
 - vi. Regulatory framework and requirements;
- (d) Skillsets:
 - i. Technical/analytical/business skills etc.
 - ii. Leadership/management skills.

FP-1.3.9 Persons appointed as licensee's board directors must:

- (a) Have sufficient knowledge and experience to demonstrate sound business decision-making ability to challenge senior management;
- (b) Have a good understanding of the industry and the regulatory environment;
- (c) Have experience in governance and oversight; and
- (d) Have the ability to commit sufficient time to the role, given other commitments.

FP-1.3.10 Licensees must conduct comprehensive due diligence to satisfy itself that persons being considered for appointment meet their fit and proper criteria and the CBB requirements in this Module.

FP-1.3.11 Licensees must perform reference checks when employing a person who has previously been employed by another financial institution in Bahrain or elsewhere. Licensees must maintain adequate documentation of due diligence and checks.

MODULE	FP: Fit and Proper Requirements
CHAPTER	FP-1: Fit and Proper

FP-1.4 Maintaining Competence

Board directors

FP-1.4.1 A licensee must establish appropriate induction and ongoing training and continuous professional development ('CPD') arrangements to educate the board directors on topics of relevance to the licensee's business, the industry and compliance obligations.

FP-1.4.2 Board directors of the licensee have a key role in ensuring the licensee remains solvent, in safeguarding the interests of the licensee's customers and counterparts and, more broadly, in setting standards that help promote financial stability and soundness. Accordingly, the licensee's board directors should keep abreast of developments in the industry, the emerging risks and trends and more specifically on matters that help them fulfil their roles. Given the broad nature of their role, the board training needs and plans should be customised to individual board directors keeping in view the collective knowledge of the relevant issues under consideration. Such programmes may include providing the board directors with a detailed overview and risk profile of the institution's significant or new business lines and periodic updates on regulatory developments.

Senior Management Functions

FP-1.4.3 Licensees must annually assess the training needs of persons heading senior management functions and update its annual training plan to ensure that the relevant individuals remain competent for their respective job roles. The training plan must address:

- (a) the specific training needs;
- (b) the methods for learning /training;
- (c) the time period during which training must be completed;
- (d) annual review and assessments; and
- (e) a programme for CPD which must not be less than 15 hours per annum.

FP-1.4.4 In almost every situation, and for most individuals, it is likely that competence will be developed most effectively by a mix of training methods including on-the-job training. In-house training, seminars, conferences, further qualifications, product presentations, computer-based training and one-to-one tuition may also be considered.

MODULE	FP: Fit and Proper Requirements
CHAPTER	FP-2: CBB Approval Requirements

FP-2.1 Prior Approval by the CBB

FP-2.1.1 Licensees must seek the CBB's prior written approval for appointment of board directors and persons holding key senior management functions set out in Appendix FP-2 of this Module. The licensees must submit a Form 3 – Application for Approval of Board Directors and Senior Management available on CBB's website under 'E-services/online Forms' for the CBB's review.

FP-2.1.2 Licensees must perform their due diligence on applications for persons proposed to be appointed/elected on the Board and for senior management functions (Appendix FP-2) before seeking the CBB's approval. Applications for approval must only be made for persons that meet the fit and proper criteria.

FP-2.1.3 In evaluating the proposal by the licensee, the CBB may make inquiries regarding a person's previous conduct (in the Kingdom of Bahrain or elsewhere). The CBB decisions are binding on the applicant unless the CBB has agreed to reconsider pursuant to an appeal by the licensee. In making its own assessments regarding matters specified in Paragraphs FP-1.3.3 to FP-1.3.5, the CBB will take into consideration the circumstances of each case prior to making a decision for approval or refusal:

- (a) the seriousness of the event or failure and the surrounding circumstances resulting in the person not meeting a specific criterion;
- (b) the relevance of the event or failure, to the role and responsibilities to be assumed by the said function; or
- (c) the length of time since the event or failure occurred.

FP-2.1.4 Following the approval of a person, if the CBB becomes aware of information which indicates that the person did not meet the fit and proper criteria, the CBB reserves the right to consider the approval as 'revoked'. In such circumstances, the CBB will inform the licensee and agree with it a plan for the licensee to take the necessary corrective actions. Licensees or the nominated persons may, within 30 calendar days of the notification, appeal against the CBB's decision to refuse the application for approval. The CBB shall decide on the appeal and notify the licensees of its decision within 30 calendar days from the date of submitting the appeal.

FP-2.1.5 All senior management functions set out in Appendix FP-2 must be resident in the Kingdom of Bahrain. They must also be dedicated full-time to the licensee except chief executive officers/managers of the following:

- (a) Investment firm categories 3 and 4 and family office licensees;
- (b) Insurance brokers, consultants and aggregators;
- (c) Administrators, third party administrators, Sharia advisors, AISPs and PISPs; and
- (d) Representative offices.

MODULE	FP:	Fit and Proper Requirements
CHAPTER	FP-3:	Other Requirements

FP-3.1 Notification Requirements

FP-3.1.1 Licensees must immediately notify the CBB should they become aware of information that indicates that a board director or person holding senior management functions does not or no longer meets the ‘fit and proper’ requirements of the licensee or those required by the CBB under this Module, e.g. legal or criminal cases filed or a credit default.

FP-3.1.2 Licensees must notify the CBB when a person has been appointed to a senior management function (other than those that are approved by the CBB). The notification must include name, position and contact details of the person.

FP-3.1.3 Licensees must notify the CBB when a board director or person holding senior management functions has resigned, been suspended or dismissed, transferred to another function within the licensee, or else to another group entity or when disciplinary action has been taken against such person. Such notification must be made within one working day.

FP-3.1.4 If a person who was approved by the CBB to undertake a certain function was transferred by the licensee to another position requiring the CBB’s approval, then the CBB approval of such transfer is required.

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MODULE	FP:	Fit and Proper Requirements
CHAPTER	FP-3:	Other Requirements

FP-3.2 Interim Arrangements

FP-3.2.1 If a senior management function falls vacant, licensees must ensure that pending the appointment of a replacement, interim arrangements are made to ensure continuity of the duties. Such interim appointment to a senior management function by an internal candidate, must meet the fit and proper criteria. The vacant position must be filled with a permanent appointment within 120 days of the vacancy occurring.

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MODULE	FP:	Fit and Proper Requirements
CHAPTER	FP-3:	Other Requirements

FP-3.3 Record keeping

FP-3.3.1 Licensees must retain the following records for all persons covered under the scope of this Module for a minimum period of five years following termination of their employment with the licensee:

- (a) Fit and proper assessments, including but not limited to:
 - a. Recruitment records, CVs, and proof of the candidates' knowledge and skills and their previous activities and training;
 - b. Results of the initial screening for the purposes of appointments;
 - c. Background and reference checks; and
 - d. Details of any professional qualifications;
- (b) Evidence for competence, including but not limited to:
 - a. Competency standards;
 - b. Annual training plans;
 - c. Material for training, attendance and evaluation;
 - d. Documentation to show annual assessment of competence and criteria used; and
 - e. Record of CPD hours undertaken by each person.

MODULE	FP: Fit and Proper Requirements
CHAPTER	FP-3: Other Requirements

FP-3.4 Non-Compliance with CBB Requirements

- FP-3.4.1 The CBB has the power to examine, investigate and or require independent expert assessments of compliance with the requirements in this Module. The CBB also has the power to take enforcement actions against the licensee, its board and senior management.
- FP-3.4.2 The CBB may take any of the following actions against individuals not meeting fitness and/or propriety standards of the licensee or the CBB:
- (a) *Disqualification*: CBB may disqualify/bar a person from holding senior roles in CBB licensees when CBB believes the individual does not meet the fit and proper criteria;
 - (b) *Direction to remove/move*: CBB may issue a formal direction to remove or move the person to another activity within the organisation;
 - (c) *Remediation requirements*: CBB can require individuals in senior positions to take specific actions to remedy deficiencies, such as obtaining necessary qualifications, or addressing conflicts of interest; or
 - (d) *Criminal penalties*: In extreme cases, where there is evidence of fraud or dishonesty with respect to provision/withholding of information, CBB can refer matters for criminal prosecution.
- FP-3.4.3 The CBB may take other supervisory or enforcement actions against the licensee, its board chairman and/or CEO for not complying with the requirements of this Module.

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Appendix FP-1 Illustrative Qualifications and Core Competencies

Note: The titles mentioned in this Module or Appendix should be interpreted as referring to individuals fulfilling roles or functions corresponding to the respective title.

Board Director

Core Competencies
Board directors should have: (a) A good understanding of the industry and the regulatory environment; (b) Sufficient experience to demonstrate sound business decision-making ability to challenge senior management; (c) Experience in governance and oversight; (d) The ability to commit sufficient time to the role, given other commitments; (e) Reputation in the industry, relationships with key stakeholders, regulators, government and clients; and (f) Persons considered for independent director appointments should have industry, role related expertise and sufficient years of experience to complement the collective competency of the board of directors as a whole.
How can competence be demonstrated?
Competence is demonstrated by: (a) A minimum experience of 5 years in business and/or government/quasi government of which at least 4 years at a senior management level; and (b) Holds a minimum of a bachelor's degree.

Appendix FP-1 Illustrative Qualifications and Core Competencies (continued)

Chief Executive, Deputy CEO or equivalent

Core Competencies
<p>The Chief Executive or General Manager and their Deputies should:</p> <ul style="list-style-type: none">(a) Bring extensive experience in the financial services activity relevant to the licensee, with a track record of success in senior management roles;(b) Have a good understanding of the markets, in which the licensee operates, and products and offerings needed to compete effectively;(c) Demonstrate success in leading an organisation or business unit with significant financial and operational responsibilities;(d) Demonstrate ability to build and maintain relationships with all stakeholders, including regulators, investors and customers;(e) Have the ability to influence others to support the strategic objectives through compelling communication and negotiation;(f) Display ability to communicate and manage shareholders, regulators, customer groups and eco-system players;(g) Demonstrate ability to build strategic alliances and partnerships; and(h) Demonstrate high level awareness of sound corporate governance and risk practices and the regulatory and compliance obligations, in particular capital and liquidity that has an impact on the strategies.
Experience and Qualifications
<ul style="list-style-type: none">(a) A minimum experience of 7 to 10 years in the relevant sector (banking, insurance, asset management etc.) of which at least 5 years at a senior management level; and(b) An academic degree from a university at bachelor level, master's level or other professional qualification(s).

Appendix FP-1 Illustrative Qualifications and Core Competencies (continued)

Chief Financial Officer or Head of Financial Control

Core Competencies
The Chief Financial Officer/ Head of Financial Control should have: <ul style="list-style-type: none">(a) A clear understanding of the roles and responsibilities associated with the position;(b) A good understanding of financial services activity relevant to the licensee and the wider industry and its regulatory environment;(c) The relevant experience and qualifications to fulfill his responsibilities;(d) Strong understanding of financial analysis, budgeting, forecasting, and financial reporting;(e) Ability to manage financial operations and drive business growth;(f) A good knowledge and understanding of international accounting standards and how they are applied in a business context, including IFRS, and where appropriate AAOIFI;(g) Good knowledge of valuation practices for different classes of assets; and(h) Good knowledge of impairment provisions and the underlying measurement process.
Experience and Qualifications
<ul style="list-style-type: none">(a) A minimum experience of 5 to 7 years in a finance function; and(b) Hold a relevant academic/professional qualification which include, but are not limited to:<ul style="list-style-type: none">(i) The Association of Chartered Certified Accountants (ACCA);(ii) Certified Public Accountant (CPA);(iii) Associate Chartered Accountant (ACA), Institute of Chartered Accountants in England and Wales (ICAEW);(iv) Chartered Financial Analyst (CFA);(v) Certified Islamic Professional Accountant (CIPA) from AAOIFI.

Appendix FP-1 Illustrative Qualifications and Core Competencies (continued)

Chief Risk Officer/Head of Risk Management

Core Competencies
<p>The Chief Risk Officer/Head of Risk Management should have:</p> <ul style="list-style-type: none">(a) A clear understanding of the role and responsibilities associated with the position;(b) A good understanding of financial services activity relevant to the licensee and the wider industry and its regulatory environment;(c) The relevant experience and qualifications to fulfill his responsibilities;(d) Strong understanding of risk management practices, prudential risk measures and methodologies, risk analytics, models and reporting;(e) Strong understanding of regulatory standards (e.g., Basel III for banking, Solvency modeling for insurance) and their impact on risk controls;(f) Good knowledge of enterprise-wide risk management process, risk appetite setting, risk limits setting, capital allocation and capital and liquidity management;(g) Experience dealing with risk reporting for the board/committees, prudential and regulatory reporting, risk disclosures in annual reports;(h) Good knowledge of some of key risk management areas – credit, market, operational, capital adequacy management, (underwriting and reinsurance risks for insurance) etc;(i) Good understanding of data flows and financial reporting practices and conventions;(j) Familiar with asset and liability and portfolio management and allocation;(k) Good knowledge of valuation practices for different classes of assets;(l) Good understanding of the stress testing principles and practices; and(m) Deep understanding of the competencies required within the risk function to manage all risk activities.
Experience and Qualifications
<ul style="list-style-type: none">(a) A minimum experience of 5 to 7 years in risk management function; and(b) Hold a relevant academic/professional qualification which include, but are not limited to:<ul style="list-style-type: none">(i) Financial Risk Manager (FRM);(ii) Professional Risk Manager (PRM);(iii) Chartered Financial Analyst (CFA);(iv) Associate in Risk Management (ARM), The Institutes Knowledge Group;(v) Professional qualification in actuarial sciences.

Appendix FP-1 Illustrative Qualifications and Core Competencies (continued)

Chief Internal Auditor/ Head of Internal Audit

Core Competencies
<p>The Chief Internal Auditor /Head of Internal Audit should have:</p> <ul style="list-style-type: none"> (a) A clear understanding of the role and responsibilities associated with the position; (b) A good understanding of financial services activity relevant to the licensee and the wider industry and its regulatory environment; (c) Strong understanding of internal or external audit; (d) Ability to design comprehensive audit plans, including risk assessments, internal control evaluations, and identifying areas of potential financial, operational, or compliance risk; (e) Ability to lead audits across various departments such as credit, operations, IT, and finance; (f) Proficiency in evaluating and improving internal controls and risk management frameworks, ensuring alignment with organisational risk appetite and regulatory requirements; (g) Familiarity with regulatory standards (e.g., Basel III for banking, Solvency modeling for insurance) and their impact on risk controls; (h) Expertise in assessing the effectiveness of internal controls, identifying control deficiencies, and recommending remediation strategies; (i) Understanding the control frameworks like COSO (Committee of Sponsoring Organizations) or COBIT (Control Objectives for Information Technologies); (j) Strong knowledge of IFRS (International Financial Reporting Standards) and other regulatory accounting standards; (k) Ability to assess compliance with key regulations; (l) Competence in forensic auditing techniques, identifying fraudulent activities, and implementing fraud prevention frameworks; (m) Use of data analytics and continuous auditing to spot anomalies or risks that indicate potential fraud; (n) Strong analytical skills to evaluate audit evidence, discern root causes of control deficiencies, and develop practical, risk-based solutions; and (o) Ability to think critically when encountering complex or ambiguous issues and to provide clear, well-justified conclusions.
Experience and Qualifications
<ul style="list-style-type: none"> (a) A minimum experience of 5 to 7 years experience in internal audit function or external audit; and (b) Hold a relevant academic/professional qualification which include but are not limited to: <ul style="list-style-type: none"> (i) Certified Internal Auditor (CIA), IIA; (ii) Certified Information Systems Auditor, ISACA; (iii) Association of Chartered Certified Accountants (ACCA); (iv) Certified Public Accountant (CPA) etc., (v) Associate Chartered Accountant (ACA), Institute of Chartered Accountants in England and Wales (ICAEW).

Appendix FP-1 Illustrative Qualifications and Core Competencies (continued)

Compliance Officer / Head of Compliance

Core Competencies
<p>A Compliance Officer/ Head of Compliance should have:</p> <ul style="list-style-type: none">(a) A clear understanding of the role and responsibilities associated with the position;(b) A good understanding of financial services activity relevant to the licensee and the wider industry and its regulatory environment;(c) The relevant experience and qualifications to fulfill his responsibilities;(d) Strong understanding of regulatory requirements in Bahrain and other jurisdictions in which the licensee has operations;(a) Very good knowledge of compliance risk universe and compliance risk assessments and compliance risk management;(b) Good knowledge of regulatory frameworks (e.g., GDPR/Bahrain PDPL, AML laws, FATCA, Prudential standards rules etc. relevant to the licensee);(c) Good knowledge of prudential, conduct, legal and other compliance obligations;(d) Ability to independently investigate and act on matters related to compliance breaches;(e) Hands on experience dealing with compliance risk identification, compliance monitoring, maintaining compliance dashboards, compliance testing and reporting;(f) Ability to act as advisor to the CEO and other functions on strategic issues from a compliance perspective; and(g) Experience in conducting compliance training sessions or workshops.
Experience and Qualifications
<ul style="list-style-type: none">(a) A minimum experience of 5 years in compliance function or internal audit function with compliance experience; and(b) Hold a relevant academic/professional qualification which include but are not limited to International Compliance Association (ICA) Diploma in Governance, Risk and Compliance.

Appendix FP-1 Illustrative Qualifications and Core Competencies (continued)

Money Laundering Reporting Officer (MLRO)

Core Competencies
<p>The MLRO should have:</p> <ul style="list-style-type: none">(a) A clear understanding of the role and responsibilities associated with the position;(b) A good understanding of financial services activity relevant to the licensee and the wider industry and its regulatory environment;(c) The relevant experience and qualifications to fulfill his responsibilities;(d) Strong understanding of FATF guidelines and regulatory requirements in Bahrain;(e) Experience in creating and executing an institution-wide AML strategy that integrates with broader risk management and compliance programs;(f) Proficiency in developing and maintaining AML policies and procedures that align with regulatory requirements and industry best practices;(g) Competence in updating policies in response to changes in the legal landscape, emerging financial crimes, or audit recommendations;(h) Proficiency in developing, managing, and improving KYC and CDD, EDD frameworks to ensure the institution collects appropriate customer data;(i) Expertise in using, configuring and overseeing AML software tools to monitor suspicious transactions, detect unusual activity patterns, and ensure compliance with regulatory reporting obligations;(j) Ability to implement a risk-based approach to AML compliance, where resources are allocated according to the risk levels of different products, clients, or geographies;(k) Expertise in conducting AML risk assessments to evaluate the inherent risks within the organization, and adjusting policies, procedures, and controls accordingly;(l) Strong investigative skills to analyze complex customer transactions, payment flows, and financial patterns that might indicate potential money laundering activities;(m) Knowledge of how to file Suspicious Activity Reports (SARs) or Suspicious Transaction Reports (STRs) with relevant financial authorities; and(n) Knowledge of international sanctions screening software and ensuring the company is not doing business with blacklisted entities or individuals.
Experience and Qualifications
<ul style="list-style-type: none">(a) A minimum experience of 5 years in anti-money laundering and terrorist financing role; and(b) Hold a relevant academic/professional qualification which include, but are not limited to:<ul style="list-style-type: none">(i) Certified Anti-Money Laundering Specialist Examination (ACAMS);(ii) Diploma in Anti-Money Laundering offered by the International Compliance Association.

Appendix FP-1 Illustrative Qualifications and Core Competencies (continued)

Head of Internal Shari'a Audit Function

Core Competencies
<p>The Head of Internal Shari'a Audit Function should have:</p> <ul style="list-style-type: none">(a) The relevant accounting and auditing experience and qualifications to fulfill his responsibilities;(b) Knowledge of Islamic financial regulatory standards like AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) and IFSB (Islamic Financial Services Board) guidelines, which govern Sharia compliance and corporate governance in Islamic financial institutions;(c) A good understanding of financial services activity relevant to the licensee and the wider industry and its regulatory environment;(d) Experience in designing and delivering Sharia compliance training programs for employees at all levels, ensuring they understand Islamic finance principles and how to comply with Sharia requirements in day-to-day operations;(e) Expertise in assessing compliance with Sharia governance frameworks, including the Sharia Supervisory Board (SSB) decisions, policies, and Fatwas (Islamic rulings);(f) Expertise in understanding and applying Fiqh Al-Muamalat (Islamic commercial jurisprudence), which governs the conduct of financial transactions;(g) Familiarity with Islamic contracts such as Murabaha (cost-plus financing), Ijara (leasing), Mudaraba (profit-sharing), Musharaka (partnership), and Tawarruq, Takaful (Islamic insurance) products to ensure compliance with Sharia principles, particularly in profit-sharing (Mudaraba) or cooperative (Waqf) models;(h) Proficiency in designing and executing Sharia-compliant audit plans, focusing on ensuring that all financial products, services, and operations align with Sharia principles;(i) Expertise in identifying and assessing Sharia non-compliance risks in various operational and financial areas; and(j) Ability to conduct thorough audits of financial transactions and documentation to confirm compliance with Sharia rulings issued by the Sharia Supervisory Board.
Experience and Qualifications
<ul style="list-style-type: none">(a) A minimum experience of 5 years in the Internal Shari'a audit function, internal audit function of a financial institution dealing with Islamic products and services; and(b) Hold a relevant academic/professional qualification which include, but are not limited to:<ul style="list-style-type: none">(i) Relevant bachelor or higher-level university degree;(ii) Certified Islamic Professional Accountant (CIPA);(iii) Chartered Internal Auditor (CIA);(iv) Certified Shari'a Advisor & Auditor (CSAA);(v) Advance Diploma in Islamic Finance (ADIF) or Advanced Diploma in Islamic Commercial Jurisprudence (ADICJ) from BIBF, other Islamic Shari'a studies or by any other means.

Appendix FP-1 Illustrative Qualifications and Core Competencies (continued)

Financial Advisor

Core Competencies
<p>The Financial Advisor should have:</p> <ul style="list-style-type: none">(a) A thorough understanding of financial products, financial markets, capital markets, structured products, portfolio and wealth management practices;(b) A good understanding of financial services activity relevant to the licensee and the wider industry and its regulatory environment;(c) In-depth knowledge of financial planning principles and expertise in creating and executing customised financial plans based on the unique needs and goals of clients;(d) Expertise in identifying and managing risks related to clients' portfolios, such as market risk, inflation risk, interest rate risk, and liquidity risk;(e) Ability to assess clients' risk tolerance, risk capacity, and time horizon, and to recommend appropriate investment strategies based on these factors;(f) Comprehensive understanding of investment products such as stocks, bonds, mutual funds, ETFs (Exchange Traded Funds), REITs (Real Estate Investment Trusts), and alternative investments like private equity and hedge funds;(g) Familiarity with asset allocation, diversification, and portfolio management strategies, as well as understanding risk tolerance and how it influences investment decisions;(h) Strong understanding of deal structuring, investment research, financial planning and financial analysis;(i) Understanding of AML (Anti-Money Laundering) and Know Your Customer (KYC) regulations, ensuring that the advisor performs due diligence on clients and monitors financial activity for suspicious behaviors;(j) Ability to use financial models and software to forecast outcomes and recommend strategic changes; and(k) Knowledge of ethical codes such as those set by professional bodies like Certified Financial Planner Board (CFP Board), Chartered Financial Analyst (CFA Institute), or other relevant regulatory bodies.
Experience and Qualifications
<ul style="list-style-type: none">(a) A minimum experience of 3 to 5 years in financial advice or asset management; and(b) Hold a relevant academic/professional qualification which include but are not limited to:<ul style="list-style-type: none">(i) Certified Financial Analyst (CFA);(ii) IFA Certificate for Financial Advisers;(iii) Chartered Alternative Investment Analyst (CAIA);(iv) General Securities Representative Qualification (Series 7);(v) Certificate in Financial Planning papers 1-3 (The Chartered Insurance Institute);(vi) ACI Dealing Diploma/Certificate (The Financial Markets Association);(vii) Any Securities Institute certification.

Appendix FP-1 Illustrative Qualifications and Core Competencies (continued)

Head of Insurance/ Reinsurance Underwriting

Core Competencies
<p>The Head of Insurance /Reinsurance underwriting should have:</p> <ul style="list-style-type: none">(a) Deep knowledge of market trends and developments in both the primary insurance and reinsurance markets. Familiarity with pricing cycles, capacity shifts, and industry disruptors (e.g., Insurtech, regulatory changes);(b) A strong understanding of insurance and reinsurance markets, classes of business and products;(c) In-depth knowledge of insurance and reinsurance products, including the ability to collaborate with product development teams to create innovative solutions tailored to client needs;(d) A good understanding of regulatory environment;(e) Comprehensive understanding of underwriting principles for various lines of business, such as life insurance, property and casualty (P&C) insurance, reinsurance, health insurance, and specialty insurance;(f) Proficiency in developing and managing underwriting strategies that balance risk and profitability;(g) Ability to oversee underwriting for complex risks, ensuring decisions align with the organisation's risk appetite and long-term goals;(h) Expertise in reviewing and enhancing existing products to ensure they are competitive and compliant with current regulations and market trends;(i) Expertise in structuring and negotiating reinsurance treaties, including proportional, non-proportional, facultative, and treaty reinsurance;(j) Familiarity with global reinsurance markets and the ability to assess the creditworthiness and risk profiles of reinsurance partners; and(k) Knowledge of retrocession arrangements and understanding of how to transfer risk across multiple layers.
Experience and Qualifications
<ul style="list-style-type: none">(a) A minimum of 5 to 7 years of practical experience in an underwriting or comparable function (<i>underwriting/ claims</i>) within the insurance industry; and(b) An academic degree from a university at bachelor level or higher in addition to professional qualification(s) related to underwriting and claims and other relevant certification(s) specific to this role. Such certifications may include but are not limited to:<ul style="list-style-type: none">(i) Chartered Insurance Institute (CII) qualification;(ii) Insurance Management Diploma, Bahrain Institute for Banking and Finance (BIBF);(iii) BIBF Professional Award for Certified Insurance Practitioner (BPACIP);(iv) BIBF Professional Award for Specialist Insurance Practitioner (BPASIP).

Appendix FP-1 Illustrative Qualifications and Core Competencies (continued)

Signing Actuary – Insurance firms

Core Competencies
<p>A Signing Actuary should have:</p> <ul style="list-style-type: none">(a) A clear understanding of the role and responsibilities associated with this position;(b) A thorough understanding of insurance and reinsurance markets, classes of business and products;(c) Advanced knowledge of actuarial science, and expertise in applying actuarial methodologies to areas such as pricing, reserving, underwriting, and capital modelling;(d) Ability to lead complex actuarial analyses, proficiency in pricing various insurance products using actuarial techniques such as loss ratio analysis, experience rating, and frequency-severity modeling;(e) Expertise in calculating technical reserves (e.g., IBNR - Incurred But Not Reported) and other liabilities, ensuring that the organization holds adequate reserves for claims;(f) Proficiency in developing and implementing risk management frameworks that evaluate key risks such as market risk, credit risk, insurance risk, and operational risk;(g) Expertise in capital modeling techniques, such as Economic Capital Models (ECM) and Solvency II Standard Formula/Internal Models, to ensure that the company holds adequate capital to meet regulatory requirements and internal risk appetite;(h) Familiarity with financial reporting standards such as IFRS 17, and Solvency modeling, and their implications on the actuarial function; and(i) Competence in providing actuarial input for financial statements and disclosures, ensuring compliance with applicable accounting standards and regulatory requirements;(j) A good understanding of regulatory environment.
Experience and Qualifications
<ul style="list-style-type: none">(a) A minimum experience of 5 years in an actuarial role; and(b) Bachelor's in actuarial sciences; or(c) A professional qualification(s) related to actuary and other relevant certification(s) specific to this role. Such professional qualifications may include but are not limited to:<ul style="list-style-type: none">(i) Fellow of Institute of Actuaries (FIA) or Fellow of Faculty of Actuaries (FFA), the Institute and Faculty of Actuaries; and(ii) Fellow of Society of Actuaries (FSA), the Society of Actuaries. and(d) An active membership of Institute of the Faculty of Actuaries, UK; Society of Actuaries, USA; or other recognized equivalent actuarial institution.

Appendix FP-2 – List of senior management positions/persons requiring CBB Approval

Note: The titles mentioned in this Module or Appendix should be interpreted as referring to individuals fulfilling roles or functions corresponding to the respective title.

A. Bahraini bank licensees

	<i>Title /position</i>
1	Chief Executive Officer (CEO) and Deputy CEO (D-CEO) if such a position exists
2	Head of Finance
3	Head of Risk Management
4	Head of Compliance
5	Money Laundering Reporting Officer (MLRO)

B. Insurance firms

	<i>Title /position</i>
1	Chief Executive Officer (CEO) and Deputy CEO (D-CEO) if such a position exists
2	Head of Finance
3	Head of Risk Management
4	Signing /Head of Actuary
5	Head of Compliance
6	Money Laundering Reporting Officer (MLRO) (may be combined with Compliance officer role)

C. Insurance brokers, insurance consultants, aggregators and exchanges

	<i>Title /position</i>
1	Chief Executive Officer (CEO) and Deputy CEO (D-CEO) if such a position exists
2	Money Laundering Reporting Officer (MLRO) (may be combined with Compliance officer role)

D. Investment firms

	<i>Title /position</i>
1	Chief Executive Officer (CEO) and Deputy CEO (D-CEO) if such a position exists
2	Chief Financial Officer for Category 1 and Category 2 Licensees only
3	Head of Risk Management for Category 1 and Category 2 Licensees only (may be a combined role with an existing independent control function)
4	Head of Compliance
5	Money Laundering Reporting Officer (MLRO) (may be combined with Compliance officer role)

Appendix FP-2 – List of senior management positions/persons requiring CBB Approval (continued)E Money changers, financing companies, micro financing licensees, payment service providers, crowdfunding platform operators and trust service providers

	<i>Title /position</i>
1	Chief Executive Officer (CEO)
2	Money Laundering Reporting Officer (MLRO) (may be combined with Compliance officer role)

F Capital market licensees

	<i>Title /position</i>
1	Chief Executive Officer (CEO)
2	Head of Compliance (for exchanges)
3	Money Laundering Reporting Officer (MLRO) (may be combined with Compliance officer role)

G Crypto asset licensees

	<i>Title /position</i>
1	Chief Executive Officer (CEO)
2	Head of Compliance (for exchanges)
3	Money Laundering Reporting Officer (MLRO) (may be combined with Compliance officer role)

H Administrators, third party administrators, Sharia’ advisory, account information service providers and payment initiation service providers

	<i>Title /position</i>
1	Chief Executive Officer (CEO)

G Branches of foreign licensees and representative offices

	<i>Title /position</i>
1	General Manager or Branch Manager
2	Head of Compliance and Money Laundering Reporting Officer (MLRO)(for Branches only)

Glossary

Senior Management Function

As defined in Paragraph FP-1.2.2

Fit and Proper Criteria

Criteria set out under Section FP-1.3

Competency Standards

Paragraphs FP-1.3.6 and FP-1.3.7 describe the contents of competency standards.

CONSULTATION