



مصرف البحرين المركزي

Central Bank of Bahrain

Capital Markets Compliance and Enforcement Annual Report 2024

For the period ended December 2024

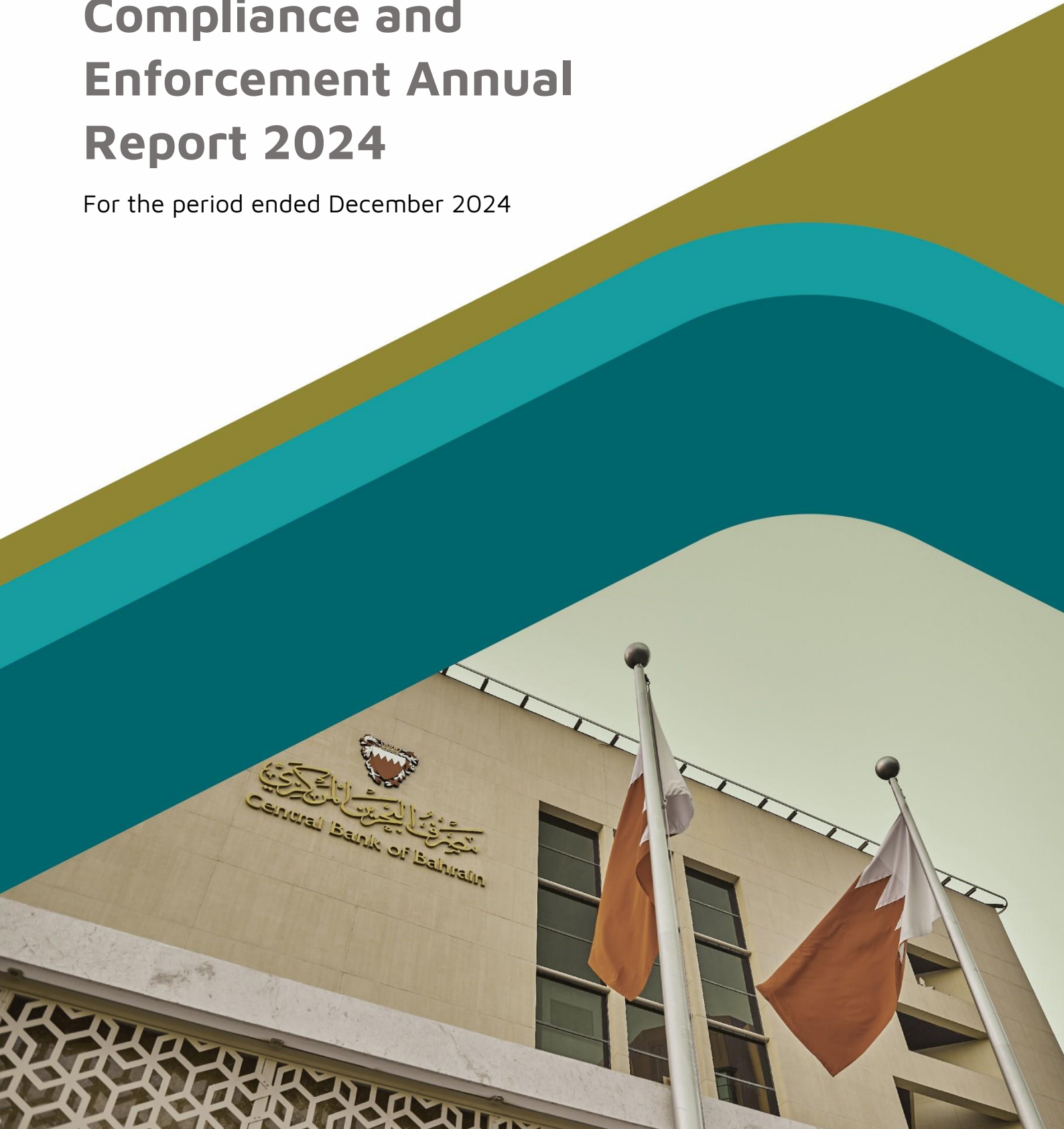


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1. Introduction



The Central Bank of Bahrain's ("CBB") Capital Markets Supervision Directorate's ("CMSD") regulatory mandate is to set and enforce high quality capital market industry standards, protect investors and strengthen market integrity while supporting a stimulating capital markets ecosystem. The Investigation and Enforcement ("IE") team within the CMSD ensures effective enforcement of the CBB's capital markets regulatory requirements, in order to achieve fairness, transparency, investor protection and safeguard public interests in the Kingdom of Bahrain.

In pursuing these mandates, IE aims to institute a fully-fledged proactive enforcement regimen that ensures the fulfillment of CMSD's requirements by Listed Companies, Self-regulatory Organizations ("SROs"), Capital Market Service Providers ("CMSPs"), Crypto-Asset Service Providers ("CASPs") and other market participants. Accordingly, given each department's invaluable role, the

CMSD as a whole, strives to continue to instil and integrate the compliance and enforcement function, directorate wide. The CMSD believes that this inclusive view of enforcement strengthens and enhances the efforts expended to protect the integrity of the capital markets.

This annual report provides a comparative overview of CMSD's efforts for the years 2023 and 2024 to identify and address non-compliances, negligence or misconduct, by accounting for all market participants in order to enact the word of the law, safeguard the interests of all stakeholders and ensure a stimulating environment within which the needs of members, investors and the regulator are met.

2. Compliance Status 2024

With reference to MIE-3.1.8 of the Market Surveillance, Investigation and Enforcement (“MIE”) Module of Volume 6 of the CBB Rulebook, in deciding on any given regulatory and enforcement response, the CBB is dependent on examining the circumstance of each individual contravention against Law No. (64) of 2006 with respect to promulgating the Central Bank of Bahrain and Financial Institutions Law (“CBB Law”) and the MIE Module of Volume 6 of the CBB Rulebook. The CBB’s approach is three-way, in that the gravity of each respective contravention is assessed, the concerned person’s/entity’s compliance track record is examined and final remedial measures to prevent future contraventions are evaluated and consequently instituted. Accordingly, this section will examine the most recent cases of capital markets related contraventions of the CBB Law, the CBB Rulebook or any other regulations, resolutions, and directives issued in connection with implementing thereof.

2.1. Listed Companies

- Contraventions by Type

Table 1 below outlines the addressed contraventions in the years 2023 and 2024, in which the CMSD issued Non-Compliance Letters to the contravening Listed Companies:

Table 1

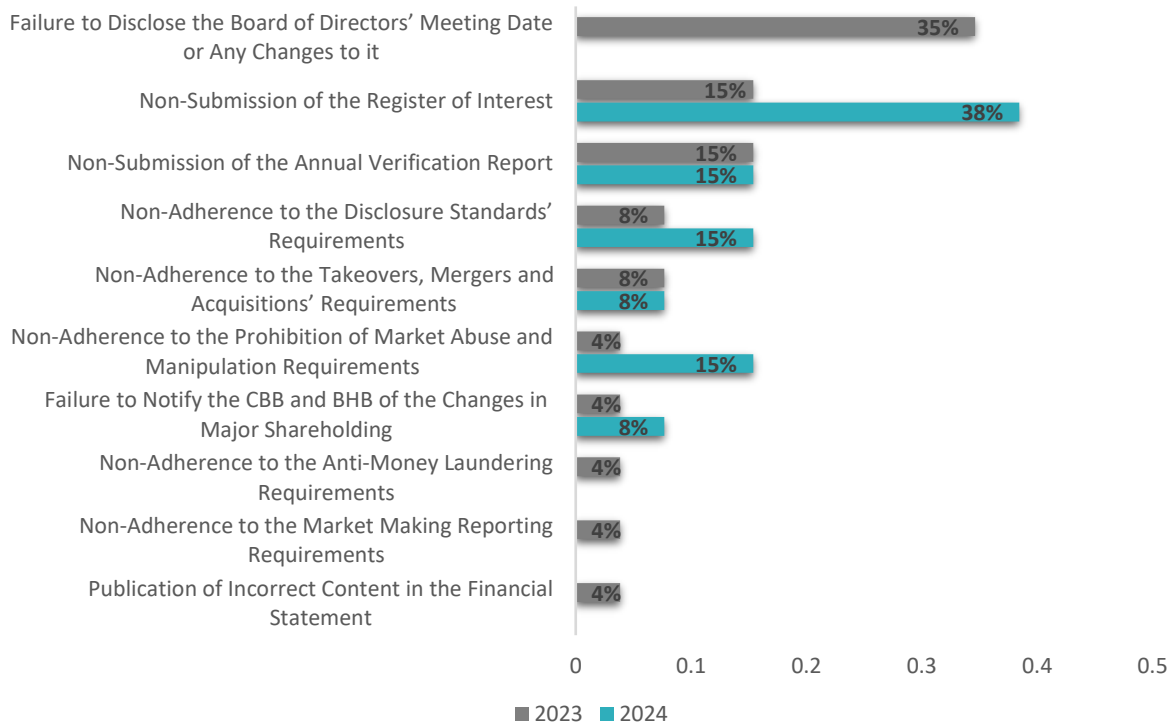
Listed Companies’ Contraventions (2023-2024)			
Contraventions by Type	2023	2024	
Failure to Disclose the Board of Directors’ Meeting Date or Any Changes to it	9		
Non-Submission of the Register of Interest	4	5	
Non-Submission of the Annual Verification Report	4	2	
Non-Adherence to the Disclosure Standards’ Requirements	2	2	
Non-Adherence to the Takeovers, Mergers and Acquisitions’ Requirements	2	1	
Non-Adherence to the Prohibition of Market Abuse and Manipulation Requirements	1	2	
Failure to Notify the CBB and BHB of the Changes in Major Shareholding	1	1	
Non-Adherence to the Anti-Money Laundering Requirements	1		
Non-Adherence to the Market Making Reporting Requirements	1		
Publication of Incorrect Content in the Financial Statement	1		
Grand Total	26	13	

As outlined in the above table, total non-compliances by Listed Companies in 2024 (13 contraventions) has decreased from 2023 (26 contraventions) by 50%, which indicates improved adherence by listed companies to the regulatory requirements.

Figure 1 below illustrates the overall trend of CMSD-addressed contraventions, in the years 2023-2024 across Listed Companies:

Figure 1

Listed Companies' Contraventions by Type (2023-2024)



As illustrated above, the most common non-compliance across Listed Companies for 2023 was concentrated on the Failure to Disclose the Date or any Change to the Meeting of Board of Directors, making up 35% of the 2023 contraventions. This is followed by the Non-Submission of the Register of Interest and the Annual Verification Report, which collectively make up more than a quarter of the 2023 contraventions.

In 2024, contraventions by Listed Companies in relation to the Non-Submission of the Register of Interest stood as the highest percentage out of the overall contraventions for the year, making up 38% of the 2024 contraventions. Notably, there has been no contraventions in the year 2024 in relation to Failure to Disclose the Date or any Change to the Meeting of Board of Directors.

As the data shows, in 2024, most contraventions saw a major decrease from 2023, except for Non-Submission of Register of Interest, which increased from 4 violations in 2023 to 5 violations in 2024.

2.2. Self-Regulatory Organizations



With reference to MIE-A.4.2 of the MIE Module of Volume 6 of the CBB Rulebook, the CBB’s supervisory role includes licensing, inspection, investigation, enforcement, and regulatory oversight over licensed exchanges, licensed market operators, licensed clearing houses and depositories, and other SROs. In line with this, the CBB addressed the following contraventions, in which Non-Compliance letters were sent to the contravening SROs:

Table 2

SRO’s Contraventions (2023-2024)		
	2023	2024
Failure to Notify the CBB of an Approved Person’s Resignation	2	
Failure in Performing its Responsibilities as a Share Registrar and Manager of General Meetings	1	
Key Inadequacies and Lack of Effective Internal Control	1	
Non-Compliance with Regards to Dividends Distribution	1	
Non-Compliance with Regards to the Key Persons and Major Shareholders’ Transactions Announcements		1
Delay in the Appointment of Head of Risk Management		1
Failure to Notify the CBB of Entering an Outsourcing Agreement Within the Required Timeframe		1
Grand Total	5	3

As shown in Table 2, the total number of the contraventions in by SROs in 2024 decreased by 40%, in comparison to 2023.

2.3. Members of SROs - Market Intermediaries

With reference to MIR-A.4.2 of the Market Intermediaries and Representatives License (“MIR”) Module of Volume 6 of the CBB Rulebook, the CBB’s supervisory role includes licensing, inspection, investigation, enforcement and regulatory oversight over members of SROs (e.g. brokers). In line with this, during 2023 and 2024, a Non-Compliance Letter was issued to the contravening Market Intermediaries for the following:

Table 3

Market Intermediaries Contraventions (2023-2024)	
Year	Contraventions by Type
2023	Execution of an Order to Purchase Treasury Shares for a Listed Company without Verifying if the CBB's Prior Approval was Obtained
2024	Failure to Abide by the Requirements of the MAM Module of Volume 6 of the CBB Rulebook, Pertaining to Market Misconduct

2.4. Licensed Crypto-Asset Service Providers



With reference to the Crypto-Asset (“CRA”) Module of Volume 6 of the CBB Rulebook, the regulatory framework covers rules for the licensing and supervision of CASPs including trading, dealing, advisory and portfolio management in crypto-assets as principal, agent, crypto-asset exchange or custodian. In line with this, during 2024 and from a supervisory standpoint, the CBB addressed the following contraventions to CASPs by issuing Non-Compliance Letters:

Table 4

CASP's Contraventions by Type (2023-2024)		
Contraventions by Type	2023	2024
Failure to Abide by the Safekeeping of Clients' Assets Requirements	1	1
Non-Compliance with Regards to its Related Party Transactions	1	1
Failure to Undertake Due Diligence in Respect to its Role and Responsibility Concerning a Suspected Fraud Case	1	
Non-Submission of the Professional Indemnity Insurance	1	
Non-adherence to the CRA Requirements in relation to Capital, Clients' Funds, and Wallets	1	
Failure to Obtain the CBB's Prior Approval of Business Transfer	1	
Not Maintaining a Client Money Bank Account		1
Deficiency in the Requirements Related to the Place of Business		1

Inaccurate Display of Crypto-Asset Prices on the Platform		1
Cyber Security Controls and Safekeeping of Clients' Assets		1
Grand Total	6	6

As outlined in the above table, the total contraventions by CASPs have remained the same (6 contraventions).

2.5. Other Market Participants

The CMSD also addressed contraventions and suspected misconduct to the following market participants in the year 2024:

Table 5

Other Market Participants Contraventions (2024)	
Violator	Contravention
Offeror to Shareholders of a Listed Company	Failure to Publish the Results of the Offer within the Required Timeframe
Placement Agent of Structured Products	Marketing of Structured Products in Bearer Form instead of Registered Form

3. Key Case Handling & Escalation

The IE team determines on a case-by-case basis whether the contravention at hand requires further escalation for further disciplinary action (e.g. Financial Penalties, Formal Warnings etc.) following department-level enforcement (e.g. Non-compliance letters), if any.

Given the above and after further examination, IE escalates certain contraventions to the CBB's Enforcement Decision Review Committee ("EDRC"), which is established to make independent decisions on the final enforcement actions to be imposed on cases of material significance. When an enforcement order is issued by the EDRC, a party may appeal such decision within 30 days of its issuance, to the CBB's Appeals Committee.

Given this, Table 6 details the Enforcement Actions taken by the CMSD post the EDRC's decision during the years 2023 and 2024, wherein the number of Enforcement Actions imposed on the violating companies post IE's case escalation, was 6 in 2023 and 3 in 2024 (decreased by 50%):

Table 6

IE Referrals to EDRC (2023-2024)			
Year	Violator	Contravention	Enforcement Outcome
2023	Listed Company	Late Disclosure of the Board of Directors' Meeting Date in Relation to the Annual Financial Statements for the Year 2022	Per Diem Financial Penalty
	Listed Company	Late Disclosure of the Board of Directors' Meeting Date in Relation to the Annual Financial Statements for the Year 2022	Per Diem Financial Penalty
	SRO	Failure in Performing its Responsibilities as a Share Registrar and Manager of an Ordinary General Meeting	Non-Compliance Letter
	Listed Company	Late Submission of the Annual Verification Report of Key Persons' Register for the Year 2022	Per Diem Financial Penalty
	Listed Company	Purchase of Treasury Shares Without the CBB's Prior Approval	Formal Warning
	SRO	Re-Distribution of Previously Claimed Dividends	Financial Penalty
2024	CASP	Non-Compliance with the CBB Law and the CRA Module of Volume 6 of the CBB Rulebook Requirements	Financial Penalty
	Listed Company	Failure to Notify the CBB of the Changes in its Major Shareholding	<i>Under the Committee's review</i>
	Broker Dealer	Failure to Abide by the CBB's Record-Keeping Requirements	<i>Under the Committee's review</i>

4. Conclusion

In conclusion, the CMSD continues to be committed to more carefully consider the appropriate regulatory response to potential breaches of rules or market misconduct. Seeing as each non-compliance or suspected case is unique and involves a variety of different circumstantial elements, the CMSD strives to be as consistent and transparent as possible in the related decision-making. The CMSD's most prevalent role revolves around ensuring effective implementation and enforcement of CBB's regulatory requirements for the capital markets, as such, it continuously seeks to develop and improve its regulatory framework in line with regional and international counterparts. As always, and in line with the findings of this annual report, the CMSD, alongside key stakeholders, will work to further improve standards of compliance in the market, reduce recurrences and overall boost market awareness of its regulatory framework – with the core objective of solidifying the efficiency of Kingdom of Bahrain's capital markets.



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February 2025