

We have earned the industry's confidence over the years by providing a stable regulatory environment.

A financial hub with

Bahrain is a financial hub for the region, with influences that reach around the world.

Its banks and other financial institutions and services operate under the umbrella of the Central Bank of Bahrain, which safeguards the sector and its customers through sound and transparent regulation.

"As the single regulator, monitor and supervisor on banking, the Central Bank of Bahrain (CBB) has and follows the best international regulatory standards in the region," says CBB executive director of financial institutions supervision Abdulrahman Mohammed Al Baker.

The CBB, regarded as one of the world's best regulator of financial services due to this forward-thinking approach, is at the heart of the country's investment and fiscal development.

"We have earned the industry's confidence over the years by providing a stable regulatory environment," said Mr Al Baker.

The CBB's duties include the licensing and supervision of banks (conventional and Islamic), providers of insurance services (including insurance firms and brokers), investment business licences (including investment firms, Bahrain Stock Exchange brokers, money brokers and investment advisors) and other financial services providers (including money changers, representative offices, finance companies and ancillary service providers).

It also regulates the Bahrain Stock Exchange (BSE) and acts as the Listing Authority for companies and financial instruments listed on the BSE.

The Bahrain Monetary Agency (BMA) acted as the sole regulatory authority for the country's financial sector, before the CBB took over in September 2006.

The CBB assumed all the BMA's rights and obligations as the central bank and single regulator for the financial services industry in the Kingdom.

This followed the enactment of the new Central Bank of Bahrain and Financial Institutions Law (CBB Law), which governs the CBB's activities.

The CBB, headed by Governor Rashid Al Maraj, is responsible for ensuring monetary and financial stability in Bahrain and continues with the BMA's fixed exchange rate policy against the US dollar, first established in 1980.

"Banking is a key part of Bahrain's economy and we believe that our economy will remain positive for the next year and the government and CBB have been active in taking measures to support domestic demand," said Mr Al Baker.

The main impact of the financial crisis to the banking sector was in terms of liquidity. In common with many other emerging markets, there was an acute shortage of liquidity during the period of September/October 2008.

To mitigate this, the CBB introduced a new facility which allowed banks to swap US dollars for Bahraini dinars at no penalty. This helped ensure that the financial system in Bahrain continued to operate normally throughout a period of great stress.

This year CBB reduced its reserve requirement ratio back to five per cent in March, having raised it from that level in February 2008.

"We raised the reserve requirement in response to the inflationary pressures that were building during 2007 and the early part of last year," CBB governor Rasheed Al Maraj said earlier this year.

"Consumer prices and asset prices were in



●Mr Al Maraj...earned the industry's confidence and respect



●Mr Al Baker...Bahrain has the biggest names in Islamic finance

●Mr Al Maraj and Mr Al Mutawa at the meeting to set up a working party with the Bahrain Centre of Excellence

boosted by global insurance firms with an increased focus on the sector, which are keen to take advantage of Bahrain's business-friendly environment.

The sector continues to mature worldwide and total premiums written by takaful insurers are set to account for \$7.7 billion of the world's insurance market by 2012.

"The CBB recognised that takaful was a new insurance market and acted in 2008 to enhance its reporting requirements, proactively aiming to secure the future development of the takaful industry," said Mr Al Maraj.

In March this year, the CBB issued the Clearing, Settlement and Central Depository Module as part of its Rulebook Volume Six.

our view growing too rapidly.

"The measure had its desired effect and in particular consumer price inflation had begun to moderate. Against this background we felt comfortable in restoring the reserve requirement to its previous level."

IN the last five years, the CBB has implemented several far-reaching initiatives on corporate governance standards to complement the requirements of the Commercial Companies Law.

The emphasis has been on the internal governance, market conduct and transparency of listed companies and licensees.

"Our internal governance requirements have concentrated on the role of the board and on ensuring sound internal controls and risk management systems," said Mr Al Maraj.

"Market conduct has involved requiring banks to adopt codes of conduct for dealing with customers and also to adopt staff codes of conduct in dealing with potential conflicts of interest.

"Transparency requirements for licensees and listed companies have increased dramatically over the past decade and we have sought to make management imports more accountable for their actions."

A uniform set of standards and specifications for designing and printing of bank cheques is to be introduced by the CBB by late 2011.

This will be a major step towards increasing efficiency of the current cheque clearing process and modernising the cheque clearing system, with one standard size for all cheques.

Also this year, the CBB introduced new rules to strengthen insurance market regulations in Bahrain.

Representatives of insurance companies will need a minimum qualification to practice in the country.

The CBB is the first regulator in the Middle Eastern region to introduce such requirements, with the aim of strengthening the public perception of the insurance market.

Earlier this year, the CBB was named Best Financial Centre at the second annual International Takaful Awards, held at the Jumeirah Carlton Towers in London.

The CBB was selected by a panel of industry practitioners, lawyers and journalists, who recognised it for the strength and transparency of regulation in Bahrain, as well as the multitude of takaful and retakaful institutions that have chosen to base their operations in the country.

Last year saw Bahrain's takaful sector continue to expand, with overall gross premiums reaching BD27.2 million, up from BD15.7m in 2007, a 73 per cent increase, building on the 58pc increase from 2006 to 2007.

The takaful market in Bahrain has been

