

global clout



● Children's education part of CBB's public awareness campaign



● Banking in Bahrain..well regulated

The module seeks to introduce a comprehensive, effective and harmonised approach in licensing, regulating and supervising licensed clearing houses and securities depositories in Bahrain.

This is in order to achieve the central bank's main objective of maintaining a transparent fair, orderly and efficient capital market for enhancing investor confidence and ensuring investor protection.

The Clearing, Settlement and Central Depository Module sets out the CBB's regulatory framework covering all the requirements related to such institutions and activities, including but not limited to the licensing

requirements, ongoing obligations and business rules, different functions of each institution and the obligations of such institutions towards the CBB in its capacity as a regulator.

"This module allows us to further open up Bahrain's capital market and financial sector as a whole and enhance the efficiency of our capital market service providers, thereby increasing the protection and services offered to investors," said Mr Al Baker.

He said the module provided more clarity on the role, powers and responsibilities of the CBB as a securities regulator and the role and responsibilities of licensed clearing houses and securities depositories and their interaction with the licensed exchanges, to ensure the efficiency of Bahrain's capital market.

Bahrain is host to some of the world's biggest names in Islamic financing, said Mr Al Baker.

Bahrain's Islamic finance sector dates back to 1978, when the Bahrain Islamic Bank was established.

Islamic banking in the country gained momentum in the early 1980s, with the issue of four new licences, one of which was an off-shore banking unit licence, with the remainder being investment banking licences.

During the 90s, eight licences were issued to institutions seeking to pursue Islamic banking services.

In the last decade the sector has grown strongly, along with the number of licensees.

Total assets jumped from \$1.9bn in 2000 to \$26.3bn in June this year, an increase of more than 12 times.

"The market share of Islamic banks correspondingly increased from 1.8pc of total banking assets in 2000 to 11.1pc in June of this year. There are now 26 Islamic banks and 19 Islamic insurance companies (takaful) operating in Bahrain," said Mr Al Baker.

Given the large regional share of Islamic financial institutions based in the country, the CBB feels it is essential to create an appropriate framework for regulating and supervising the sector.

The same principles are applied of sound regulation and supervision to Islamic banks as are applied to conventional banking.

"A dual banking system is carried out, where Islamic banks operate side-by-side with their conventional counterparts. CBB affords equal

opportunities and treatment for Islamic banks as for the conventional ones," says Mr Al Baker.

"Actually, we pride ourselves at CBB in fulfilling regulatory standards and responsibilities, on the innovative approach and applying international best practices and ensuring transparency through the whole regulatory process.

"We have introduced the first comprehensive prudential and reporting framework that is industry-specific to the concept of Islamic banking and finance."

Because interest-based transactions are prohibited, Islamic finance encourages business and trade activities that generate fair and legitimate profit.

The prohibition on speculative activity also helps ensure here is a close link between financial flows and productive activities.

"These intrinsic properties of Islamic finance have contributed towards insulating it from the potential risk resulting from excess leverage and speculative finance activities," said Mr Al Maraj.

"Although the Islamic financial industry has escaped the worst effects of the financial crisis, there are a number of important issues still to be resolved to ensure its continued success.

"The Islamic financial industry has an enormous potential for future growth."

Bahrain has a clear appetite for insurance and this reflects the public's awareness on issues such as takaful, or general life assurance.

"As the sole regulator and observer we in turn need to be ahead of the game and future thinkers," said Mr Al Baker.

"Educating and spreading awareness on issues such as insurance and such has been one of our objectives this year too.

"The younger generation, who work hard to save money to buy their own homes, etc are also looking to insure themselves, be it health, property or general insurance.

"Public awareness is a must and we in turn have taken the initiative, with Bahrain Insurance Association, to bring out a number of educational booklets on various insurance policies and why individuals should be insured."

Officials have been visiting schools and distributing the 30,000 Arabic booklets, to get children and young adults talking about insurance among themselves, realising its importance, discussing it with their family members and giving

them that forward-thinking benefit for their futures.

"Today, young men and women, who are working hard to establish themselves, are paying for their own way," said Mr Al Baker.

"They want to retire early and want to be sure that they can do so soundly and have most of their lives covered, from the medical, property as well as the retirement side.

"Insurance in Bahrain actually began in the early 1950s, before banking began here.

"However, today people are becoming much more aware of it, with what is going on around them. Insurance is a must in one's daily life in Europe, as it should be here."

In September, the CBB set up a working group with the Bahrain Centre of Excellence, to spend five days looking at the bank's major operations, its values and key performance indicators.

The working group was formed during a visit to the CBB by a group of representatives from the centre, headed by the Premier's Cultural Affairs Adviser Mohammed Al Mutawa and the centre's excellence expert Mohammed Jassim Buhiji.

CBB Governor Rasheed Al Maraj praised the role played by the centre, which focuses on the development of programmes and innovative ideas, keeping pace with the latest global initiatives which contribute to administrative development and are in line with the directives of the kingdom's leadership.

Mr Al Mutawa stressed the important role of the CBB as a supervisory body in regulating the banking and financial sector and emphasised that the programme aims to improve the quality of work in all government sectors and build the performance of its workforce in order to enhance the overall outcome.

He outlined the centre's methodology for collecting information, best practices, opportunities for improvement and teamwork.

"We are pleased to support such a positive initiative which should enable all government counterparts to develop a common methodology and an evolving culture in the path towards excellence," said CBB corporate services executive director Dr Huda Al Maskati.

She also highlighted the importance of those initiatives in order to stimulate the role of the ministries and governmental institutions to maintain the Bahrain's leading position.

The meeting was also attended by CBB executive directors and middle management.

● The CBB...guardian

