

MINIMUM CONDITIONS AND LICENSING CRITERIA
FOR
A CONVENTIONAL FINANCING COMPANY LICENCE

A conventional financing company may carry out all instalment loan facility activities to local consumers such as automobile loans, housing loans, personal loans, and retail leasing.

Financing companies are not allowed, at any point of time, to accept any type of deposits.

Standard Conditions

1. Corporate Form

A conventional financing company license is normally only issued to companies incorporated in Bahrain in a form of a public shareholding company.

2. Capital Funds

A Bahrain-incorporated conventional financing company licensee must maintain a minimum paid-up capital of BD 5,000,000. A greater amount of capital may be required by BMA on a case-by-case basis. In addition, BMA may require a letter of comfort from the licensee's main shareholders in respect of the licensee's obligations. Furthermore, at all times an adequate level of capital funds must be maintained and measured on a risk-weighted basis to be agreed with the Agency. Borrowings may not exceed five times the capital and reserves. (shareholders equity) of the Company.

3. Liquidity

Unless otherwise determined by the Agency, liquid assets must be held in a form acceptable to the Agency.

4. Asset Mix

Management must maintain an asset mix that ensure diversification of risk. Personal loan assets (unsecured) must not exceed 25% of total assets.

5. Board, Management and Staffing

Licensees must be managed by a Board of Directors and a senior management team who are, in BMA's opinion, "fit & proper" in accordance with BMA's requirements. The Board of Directors should consist of executive and non-executive directors. An internal auditor

must be appointed by the board and shall report directly to the Audit Committee, which should consist of non-executive Board Members.

Employees must have sufficient knowledge, experience, skills and regular training in relation to their particular areas of responsibility.

6. Premises & Administration

Licenses must operate from suitable premises in the Kingdom of Bahrain.

All accounting statements and records of the business must be maintained at those premises and be available for examination by BMA, or persons appointed by BMA, at any time. They must accurately and truly reflect the activities of the licensee.

Effective policies, procedures, and controls must be in place and implemented. These must include an effective risk management function.

7. Information and Returns

Licenses shall submit to the BMA such information and returns concerning its business at such time and in such format as the BMA may require. The current requirements are quarterly prudential information returns, quarterly large exposures returns, on line data to the Central Risk Unit at the Agency, and quarterly consolidated returns if applicable.

8. Auditors

Conventional licenses must appoint independent auditors – to be approved by the BMA annually - and may not change such auditors without the prior written consent of the BMA. The locally incorporated licenses must change the engagement partner of the audit firm responsible for the audit of the company every five years.

9. Audited Accounts

Bahraini-incorporated licenses must prepare audited accounts in accordance with International Financial Reporting Standards. The audited accounts along with the auditor's Management Letter together with the response thereto shall be submitted within a period not exceeding three months from the end of the licensee's financial year.

Unless otherwise agreed by the BMA, the financial year of the licensee shall end on 31st December of each year.

10. Conduct of Business

Licenses shall conduct their business professionally, properly and in an orderly manner. The documentation used by conventional licenses in

their dealings with customers and clients must be full and complete in all respects and in full compliance with applicable credit facilities.

11. License Fee

An annual license fee of BD 5,000 is payable on 1st January of each year. A pro-rated amount is also payable on the issuance of a license, subject to a minimum fee of BD 1,000.

12. General

Without prejudice to any provision of the above minimum conditions, and unless otherwise indicated by the BMA, licensees shall be subject to the provisions of the BMA Law at all times.

The BMA may at any time apply such conditions to, and impose such additional requirements on, a licensee as it considers appropriate in the particular case, including that there should be no change to the activities being carried out by the licensee without the prior written consent of the BMA.

Licensing Criteria (in addition to the above requirements):

In considering an application, the BMA shall also take into consideration (amongst other factors) the following:

- (i) the reputation and standing of the applicant and of any parent, subsidiary, or associate company,
- (ii) the supervisory arrangements for any such parent, subsidiary, or associate company and the opinion of the relevant supervisory authority therefore,
- (iii) the financial standing of the shareholders and their intent and ability to support the business; and
- (iv) the previous track-record of the applicant, shareholders and management, both as regards probity and in relation to the activities to be undertaken.