

**MINIMUM CONDITIONS AND LICENSING**  
**CRITERIA FOR LEASING COMPANIES (CONVENTIONAL**  
**PRINCIPLES)**

This document sets out the minimum conditions and criteria applied by the Bahrain Monetary Agency ('BMA'), for issuing licenses to companies wishing to undertake in Bahrain leasing activities based on conventional principles (as opposed to Islamic principles, for which slightly different license conditions apply).

In the context of conventional leasing, BMA only regulates financial leasing activities. Companies that solely undertake operating leasing activities based on conventional principles do not require a license from BMA. Where a financial leasing company also undertakes operating leasing activities, the company's non-regulated activities will be monitored by BMA only to the extent that they may have a material impact on the company as a whole and its regulated activities.

The definition of a finance lease is as per International Accounting Standards: a finance (or capital) lease exists if the agreement transfers substantially all the risks and rewards associated with ownership of the asset to the lessee.

Conventional leasing licensees are not allowed, at any point of time, to accept any type of deposit or retail funds, whether made by residents or non-residents of Bahrain.

The further requirements of BMA are set out overleaf.

**1. Corporate form**

Conventional leasing licenses are normally only issued to companies incorporated in Bahrain.

BMA will only issue a conventional leasing license to a branch when the applicant, at the whole-company level, has a good track record and reputation and effectively meets BMA's own minimum licensing conditions (as specified here). Where the applicant is regulated in its country of incorporation, confirmation of the home regulator's non-objection to the branch application is also required.

## **2. Minimum capital**

A Bahrain-incorporated conventional leasing licensee must maintain a minimum paid-up capital of US\$5,000,000 (or an equivalent amount in a currency acceptable to BMA). 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.

In the case of branches, endowment capital is required to meet projected start-up costs. The amount is normally equivalent to the first year's projected operating costs. A formal statement is also required from the applicant's Board, confirming that it stands unconditionally behind all the branch's liabilities.

## **3. Board, management and staffing**

Conventional leasing licensees must be headed by a Board of directors and managed by a senior management team who are, in BMA's opinion, "fit & proper" in accordance with BMA's requirements.

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

## **4. Premises & Administration**

Conventional leasing licensees 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 reflect the activities of the licensee.

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

## **5. Provision of Information**

Conventional leasing licensees shall submit to BMA such information concerning its business at such time and in such format as BMA may require.

## **6. Auditors**

Conventional leasing licensees must appoint independent auditors – to be approved by BMA annually - and may not change such auditors without the prior written consent of BMA.

## **7. Audited accounts**

Bahraini-incorporated conventional leasing licensees must prepare audited accounts in accordance with International Accounting Standards. The audited accounts shall be submitted within a period not exceeding three months from the end of the licensee's financial year.

Unless otherwise agreed by BMA, the financial year of the licensee shall end on 31<sup>st</sup> December.

## **8. Conduct of business**

Conventional leasing licensees shall conduct their business professionally, properly and in an orderly manner. The documentation used by conventional leasing licensees in their dealings with customers and clients must be full and complete in all respects.

## **9. License fee**

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

## **10. General**

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

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 (a) that there should be no change to the activities being carried on by the licensee without the prior written consent of BMA, and (b) that BMA may apply such subsequent conditions as it considers appropriate.

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

- (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.