



EDFIS/C/035/2013  
9<sup>th</sup> October 2013

**Chief Executive Officer**

All Takaful and Retakaful Firms  
All conventional Insurance Firms  
Audit Firms  
Actuaries  
Law Firms

Dear Sir,

**Consultation on Enhanced Operational and Solvency Framework for Takaful and Retakaful Industry Volume 3 (Insurance)**

The Central Bank of Bahrain ('CBB') has developed an enhanced operational and solvency framework aims primarily at the Takaful and Retakaful industry with the objective to ensure operational efficiency and promote uniformity in the application of the Takaful business. **These proposals also impact all conventional insurance firms, wherever applicable, including the scope of the actuarial function, has been significantly increased.**

***Structure of Proposed Amendments***

The amendments include changes to the following parts of Volume 3 (Insurance):

1. Module CA with the majority of changes under Chapter CA-8 – Takaful and Retakaful.
2. Section AU-1.2 Approved Persons – Adding the position of head of risk management and internal Shari'a reviewer.
3. Chapter AA-4 Actuarial reports – Giving recognition to the enhanced role of the actuary, particularly for Takaful and Retakaful firms and changing the requirements so that yearly financial condition reports are required for Takaful, Retakaful and all conventional insurance firms.
4. Section BR-1.1 Prudential Reporting – various changes to reflect new actuarial requirements and to obtain a statement of financial condition for each participants' fund.
5. Section RM-1.1 – More details on the risk management function.

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6. Module PD – where the requirements for the presentation of the annual and interim audited financial statements have been enhanced to allow for greater transparency.
7. New Glossary Term – Earmarked Assets.
8. Form IFR (T).

Changes will also be required to the IFRQ(T) and the instructions to complete the reporting forms once the feedback has been received from this consultation.

Comments are invited from both industry participants and other parties such as auditors, actuaries and law firms. The consultation document will be available following the issuance of this letter on the CBB website ([www.cbb.gov.bh](http://www.cbb.gov.bh)) under the Regulatory Functions/Consultations Section.

The CBB requests all firms to provide their comments, including ‘nil comments’ on this consultation document by 10<sup>th</sup> November 2013. Please visit the CBB website and send your comments electronically to “[consultation@cbb.gov.bh](mailto:consultation@cbb.gov.bh)”.

Yours faithfully,



**Abdul Rahman Al Baker**