

Mutual funds in the Kingdom of Bahrain



Mutual funds in the Kingdom of Bahrain are regulated by the Central Bank of Bahrain's (CBB's) collective investment undertaking (CIU) regulations, as set out in volume 7 of the CBB rulebook. Overseas operators wishing to offer overseas-domiciled CIUs to Bahrain residents must hold the appropriate CBB licence – or appoint a CBB licensee as a distributor.

What are CIUs?

CIUs are undertakings:

- Where the sole object is the investment of capital - raised from the public or through private placement - in financial instruments and other assets
- Which spread risk appropriately
- Whose holdings may be re-purchased or redeemed out of assets

Types of Bahrain-domiciled CIUs

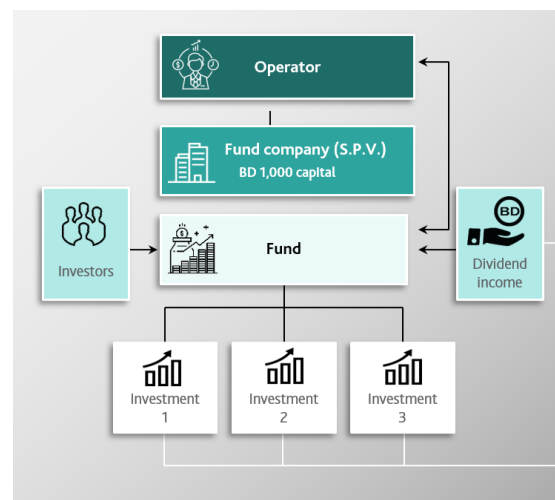
Established under the laws of the Kingdom of Bahrain, Bahrain-domiciled CIUs can be constituted as:

- **Common CIUs** - established under Bahrain's contract law
- **Trusts** - established under Bahrain's trusts law
- **Corporates** - established under Bahrain's commercial companies law

Bahrain-domiciled CIUs are classified as:

- Retail
- Expert
- Exempt

Fund structures



Relevant persons

Relevant persons required to set up a fund in Bahrain include the:

- Operator
- Trustee (if applicable)
- Fund manager
- Custodian
- Fund administrator
- Registrar (Transfer agent)
- Placement agent (only a CBB licensee can offer overseas domiciled CIU to Bahrain residents)
- Investment advisor
- External auditor

Fund operators

Operators must be domiciled in a reputable jurisdiction acceptable to the CBB and hold an appropriate license from the CBB (or from a regulatory authority acceptable to the CBB, permitting the entity to establish and operate CIUs).

Operators' duties include:

- Taking all reasonable steps to register, authorise, establish, operate and wind up the CIU
- Ensuring that the operations and investments of the CIU are subject to compliance monitoring and reporting by its *Shari'a* Board Members/Advisors, in accordance with applicable AAOIFI standards in case of *Shari'a* compliant CIUs
- Keeping all CIU documents consistent, current and updated, in line with applicable laws and regulations and as approved by, or notified to, the CBB
- Making documents available to investors, including:
 - The instrument
 - The prospectus or equivalent document
 - All contractual agreements related to the CIU
- Annual and semi-annual financial reports
- Ensuring compliance with contracts' terms and conditions
- Ensuring that all applicable anti-money laundering laws are complied with
- Liaising with the CBB as necessary
- Appointing directors who are fit and proper and approved by the CBB
- Putting appropriate corporate governance in place
- Avoiding – and addressing - any conflicts of interest
- Considering whether CIU participants should be given voting and/or other participatory rights
- Ensuring that reports submitted to the CBB and investors are accurate and submitted on a timely basis, such as:
 - Financial statements
 - Financial statements of fund companies¹
 - Quarterly statistical returns

¹where CIUs are structured as corporates



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