

**STATE OF BAHRAIN BAHRAIN MONETARY AGENCY LAW - DECREE  
LAW NO. (23) OF 1973 AMENDED AS OF JULY 1981**

We, Isa bin Salman Al Khalifa, Amir of the State of Bahrain  
Having examined the Constitution, and Amiri Order UO. 4 of 1975 and Decree Law No. 23 of 1973 promulgating the law establishing the Bahrain Monetary Agency, and upon the submission of the Minister for Finance and National Economy, and with the approval of the Council of Minister,  
DO DECREE THE FOLLOWING LAW:

**CHAPTER ONE Establishment and Administration of the Agency**

**Article 1**

An agency having an independent juristic personality, to be called "The Monetary Agency of Bahrain", shall be established in accordance with the provision of this Law. It shall be referred to in this Law as "The Agency". It shall be located in the city of Al-Manama and may open branches in the State of Bahrain and appoint agents and correspondents in this country and abroad.

**Article 2**

The Agency shall have a special budget to be prepared on the commercial pattern, and the Agency shall, in its relations with others, be considered a merchant. It shall conduct its business and organize its accounts according to commercial banking rules. The operations of the Agency shall not be subject to the provisions of any other law which imposes prior control, except for the audit of the Agency's accounts and assets. No other authority shall in any way intervene in the conduct of the Agency's business, or interfere with its policy.

**Article 3**

The Objects of the Agency are to:

- A - Organize the issue and circulation of the currency of the State of Bahrain as well as the foreign exchange operations.
- B - Maintain the value of the currency of Bahrain and endeavor to ensure monetary stability.
- C - Organize the banking business and control the banking system.
- D - Control and direct bank credit so as to realize the objectives of the economic policy of the State.
- E - Participate in the creation of a developed money and financial market.

**Article 4**

The administration of the Agency shall, during a transition period not to exceed five years, be assumed by a Board composed of:

- A - The Prime Minister who shall be the Chairman of the Board.
- B - The Minister of Finance who shall be the Deputy Chairman of the Board
- C - A representative of the Ministry of Finance.
- D - Three other members.

#### **Article 5**

The administration of the Agency shall, after expiration of the transition period referred to in Article ( 4 ) , be assumed by a Board composed as follows :

- A - A Chairman who shall preside over the meetings of the Board.
- B - A representative of the Ministry of Finances.
- C - Three other members.

#### **Article 6**

The representative of the Ministry of Finance and the other three members referred to in respect of the transition period, shall be appointed by Amiri Decree to be issued on the recommendation of the Minister of Finance and the approval of the Council of Ministers. All members of the Board for the permanent period, referred to in Article (5), shall be appointed by Amiri Decree for a period of 3 years which shall be renewable. The decree appointing the members shall determine the amount of their remunerations.

#### **Article 7**

The Chairman of the Board referred to in Article ( 5 ) , as well as the rest of the members referred to in Article (4) and ( 5 ) must be Bahraini nationals expert in financial matters. No member of the Board of Directors may be an agent, representative, official, manager, or employee of any financial firm or a holder of more than 10% of the capital of such a firm, nor an agent or representative of any financial or investment interests that are subject to the control of the Agency, nor director, manager or official of any banking firm operating in the State of Bahrain. He must submit to the Board of Directors of the Agency complete statements on all such interests.

#### **Article 8**

None of the following may be a member of the Board of Directors of the Agency :

- A - A person previously convicted of a crime affecting honor or honesty.
- B - A person who is declared bankrupt or who has suspended payment.

#### **Article 9**

Membership of the Board of Directors of the Agency shall cease to be valid in the following cases :

- A - If a member is convicted of a crime affecting honor or honesty
- B - If a member is declared bankrupt or as having suspended payment.
- C - If a member loses his legal capacity.
- D - If a member is guilty of serious dereliction of duty or gross mal- administration.
- E - If a member fails to attend three consecutive meetings without an excuse acceptable to the Board of Directors.

Membership of the Board of Directors shall terminate in the manner in which the member was appointed.

#### **Article 10**

In case the Chairman or any member of the Board of Directors should die, resign or lose his membership for any other reason, before the expiration of the term for which he had been appointed, a replacement shall be appointed by an Amiri Decree for the unexpired period of his membership

#### **Article 11**

The board shall meet at least once every two months on the invitation of its Chairman. A meeting of the Board shall be valid only if attended by three of its members including the Chairman, his deputy or the member representing the Ministry of Finance. Resolutions of the Board shall be adopted by the absolute majority vote of the members present, and in case of a tie, the Chairman's vote shall carry.

#### **Article 12**

The Board of Directors may seek the assistance of experts and invite to its meetings for consultation any person whose opinion the Board may deem fit to hear on a particular matter.

#### **Article 13**

The Agency shall have a Governor who shall be appointed by a decision of the Council of Ministers on the recommendation of the Board of Directors of the Agency and the approval of the Minister of Finance. The decision shall determine the powers, duties and remuneration of the Governor, and in the event of his death or loss of legal capacity a replacement shall be appointed in the same way.

#### **Article 14**

The Board of Directors is the authority in control of the affairs of the Agency. It shall, within the limits set by the provisions of this Law, exercise the full powers necessary for the performance of its task. The Board shall in particular :

- A - Set the monetary and credit policy to be followed by the Agency.

B - Decide on matters related to the issue, circulation and recall of currency .

C - Fix the interests and commissions to be charged by the Agency for loans, advances and the discount of commercial paper.

D - Lay down the special regulations required for the application of the provisions of this Law as regards the organization of the banking business and the exercise of strict control over banks and other financial firms.

E - Approve the annual Balance Sheet of the Agency and the Profit and Loss Statement.

F - Issue the regulations pertaining to the staff and employees of the Agency, which regulations shall be subject to approval by the Minister of Finance.

G - Issue the Financial and Accounting regulations, as well as other regulations required for the enforcement of this law.

H - Deal with such other matters as may fall within the competence of the board of Directors under this or any other Law.

#### **Article 15**

The Chairman of the Board of Directors shall have the full powers necessary for the administration of the Agency's operations and the issuance of the regulations and instructions pertaining thereto. He is responsible for ensuring the application of this Law and the regulations of the Agency and for implementing the Board of Directors' resolutions. He is the legal representative of the Agency and has the right to sign on its behalf. The Chairman may, after securing the approval of the Board of Directors, authorize the Deputy Chairman, the Governor, or other members of the Agency's staff, to exercise some of his powers.

After the transition period, the Chairman and the Deputy Chairman must devote all their time to their work at the Agency. Neither may, during his tenure of office, occupy any other position, or perform any work other than for the Agency, whether paid or unpaid, nor shall he participate in any contracts concluded by the government or public authorities, nor concomitantly be a director of any private company or firm without the prior approval of the Minister.

The Chairman and the Deputy Chairman may participate in the activities of Committees, institutions and organizations or Authorities, as well as in the activities of international congresses.

#### **Article 16**

It is prohibited for members of the Agency's Board of Directors, for its staff and employees, and for its auditors and agents, to divulge such data or information relating to the Agency or its customers, or to the affairs, of the banking firms that are subject to the Agency's control, as may have come to their knowledge by reason of the performance of their duties. As an exception, the above prohibition shall not apply to cases required by the performance of their duties or the discharge of the responsibilities of their office, as well as to cases where they act

on an order issued by a competent Court of Law and to cases where Law allows them to divulge such data or information. Without prejudice to any severe penalty prescribed in any other law, anyone who violates the prohibition set forth in the preceding paragraph shall be punished by imprisonment for a term not exceeding six months and/or a fine not exceeding 1000 (one thousand) dinars.

## **CHAPTER TWO Capital, Profits and General Reserve**

### **Article 17**

(a) The Agency's authorized capital shall be one million dinars and may be increased within the limits and by the amount to be determined by the Board of Directors of the Agency and approved by the Minister of Finance. The paid-in capital is fixed at two hundred and fifty thousand dinars to be paid by the Government upon establishment of the Agency. This amount may be increased by the amount to be recommended by the Board and approved by the Minister. The Government shall subscribe for all the paid in capital and shall keep exclusive ownership thereof. Neither the authorized nor the paid-in capital shall be reduced except by an amendment to the provisions of this Law. Notwithstanding any other provision of this Law, the Minister shall, at any time the Board decides that the assets of the Agency fall short of the value of its commitments and its paid-in capital, transfer to the Agency the ownership of the necessary amount of non-negotiable Government Bonds, interest free, so as to safeguard the paid-in capital and prevent it from deteriorating.

### **Article 18**

(a) The Agency's net annual profits shall be determined after deduction of all current expenses for the year, making provision for the deprecation of assets, and subtraction of the value of bad and doubtful debts and the value of transfers made to the Agency's staff retirement fund, to the contingencies account or for any other purpose determined as necessary by the Board of Directors of the Agency and approved by the Minister of Finance.

(b) The Agency shall have a General Reserve to which the following items shall be posted at the end of every financial year :

1 - 100% of the net profits of the Agency, as long as the amount of the General Reserve does not exceed 50% of the authorized capital of the Agency.

2 - 50% of the net profits of the Agency when the amount of the General Reserve exceeds 50% of the authorized capital of the Agency and until the balance of the General Reserve becomes equal to the authorized capital of the Agency.

3 - 25% of the net profits of the Agency, or if needs be, such smaller percentage as will be adequate to increase the balance of the General Reserve until it equals twice the amount of the authorized capital of the Agency. However, by agreement between the Minister and the Agency, the General Reserve may be increased and the percentage of the posting raised to such limits and rates as will be agreed upon.

(c) After making the transfer to the General Reserve in accordance with the text of paragraph (b) 50% of the remaining net profits of the financial year shall be allocated for the redemption of such bonds issued pursuant to the provisions of Article 17 (b) as may be in the possession of the Agency. This redemption shall be carried out on behalf of the Government.

(d) Any remaining net profits shall be transferred to the General Cash Account of the Government. Such transfer shall be made after the end of each financial year, within three months of the date of completion of the audit of accounts.

(e) The deductions mentioned in paragraph (a) and ( b ) of this Article, or the transfer mentioned in paragraph (d), may not be made, if the Board of Directors of the Agency decides that the assets of the Agency fall short, or, were such deductions or transfer to be effected. will fall short of the Agency's commitments and its paid-in capital.

### **CHAPTER THREE Currency Issue**

#### **Article 19**

The standard unit of currency in the State of Bahrain is the dinar which is divided into 1000 (one thousand) fils.

#### **Article 20**

(a) The Agency shall have the exclusive right of issuing currency notes and coins in the State of Bahrain, and no other person shall have the right to issue currency notes, paper money, coins, or bills or warrants payable to bearer upon demand that have the appearance of currency or may be construed as currency.

(b) Every violator of the provisions of this Article shall be punished by the penalties prescribed in the laws of the State for forging or counterfeiting currency notes or coins.

#### **Article 21**

(a) The Agency shall take necessary action for printing currency notes and minting coins and shall be in charge of all related matters. It shall make the necessary arrangements for the storage of stocks of un- issued currency, for safekeeping the dies and-plates of issued currency and for the destruction of such dies and plates when they are no longer needed.

(b) Currency to be issued by the Agency shall be in the denominations, forms, specifications and designs approved by the Minister of Finance on the recommendation of the Agency. Descriptions of the currency issued by the Agency shall be published in the Official Gazette.

#### **Article 22**

The currency notes issued by the Agency shall be legal tender in the State of Bahrain without limitation of amount. Coins shall be legal tender for a maximum amount of one dinar.

The Monetary Agency shall be under obligation to accept them without any limitation of amount.

#### **Article 23**

The Agency shall have the right, after giving notice to this effect in the Official Gazette, to withdraw from circulation, against payment of the face value, any currency it has issued. In this case and subject to the conditions set in the notice, such currency shall cease to be considered legal tender. However, a holder of such currency may, within any period of grace of not less than one year, claim from the Agency payment of the value of such currency in accordance with such regulations as it may issue. After expiration of the period of grace fixed in the notice, the currency notes that have not been redeemed shall cease to be considered legal tender.

#### **Article 24**

The Agency shall issue or re-issue currency and redeem such currency without collecting any commission. However, in case currency in the required denominations is not available, the Agency shall deliver currency in the available denominations nearest to the value of the required currency.

#### **Article 25**

(a) No person shall have the right to recover from the Agency the value of lost or stolen currency, except in the cases where the Agency shall have explicitly relinquished its right by virtue of a legal waiver in which it assumes the risks relating to the shipment of currency.

(b) The Board of Directors of the Agency shall issue the internal regulations setting forth the conditions governing the redemption of damaged or torn currency and the recovery of its face value in whole or in part.

#### **Article 26**

The Agency shall, in cooperation with other authorities, enforce any law relating to the counterfeiting of currency in the State of Bahrain. In determining whether a currency is genuine or counterfeit, the opinion expressed by the authorized official of the Agency shall be taken as proof of the incident making the object of legal prosecution in the State of Bahrain.

### **CHAPTER FOUR External Value of the Currency Foreign Reserve and Foreign Exchange Operations**

#### **Article 27**

- (a) The parity rate of the Bahraini dinar shall be 1.86621 grams of pure gold. The Amir may, at any time, on the recommendation of both the Minister of Finance and the Agency and with due regard to the obligations of the State of Bahrain under any international monetary agreement it may have signed or acceded to, declare a different parity rate, or external value for the dinar, as well as change the parity rate of the dinar in relation to gold, to the special drawing right units, to a convertible currency, or to any recognized standards international unit of currency. Such a parity rate shall be taken as basis for foreign exchange operations in the State of Bahrain. Change in the parity rate or external value of the dinar, and any ensuing change, shall be published in the Official Gazette and in other appropriate means of publicity.
- (b) The Agency shall, as a means of maintaining the parity rate or any other external value of the dinar referred to in paragraph (a), buy and sell gold or convertible currencies, through the operations authorized in Article (30) for the purpose of clearing foreign transactions
- (c) The Agency shall from time to time set and publish the prices and other terms and conditions it will adopt in the currency and gold purchase and sale operations referred to in paragraph (b).

## **Article 28**

The Agency shall, upon terms and conditions to be set by the Agency's Board of Directors, maintain a foreign reserve composed of all or any of the following assets :

- (a) Gold coins and bullion.
- (b) Foreign currency in the form of convertible currencies or balances in foreign banks in convertible currencies.
- (c) Any internationally recognized assets which include :
  - 1 - The gold part of the State of Bahrain's share in the International Monetary Fund.
  - 2 - The special drawing rights allocated to the State of Bahrain in the International Monetary Fund.
- (d) Bills of exchange and promissory notes payable outside the State of Bahrain in convertible currencies.
- (e) Treasury notes issued by foreign governments and payable in convertible currencies.
- (f) Such bonds as the Agency's Board of Directors shall from time to time determine, that are payable in convertible currencies and issued or guaranteed by foreign governments or international financial institutions, provided that such bonds shall mature within fifteen years from the date of their acquisition.
- (g) Such other bonds as the Agency's Board of Directors shall from time to time determine, that are issued by a foreign person and fulfill the following conditions :



- 1 - Be negotiable in international financial markets.
- 2 - Be payable in convertible currencies.
- 3 - Mature within ten years from the date of acquisition by the Agency.

### **Article 29**

The amount of the foreign reserve to be permanently maintained by the Agency shall not be less than one hundred percent of the value of the currency in circulation. However, in exceptional circumstances, this minimum foreign reserve may be changed by virtue of a Decision of the Council of Ministers, but it will under no circumstances be less than 75% of the value of the currency in circulation.

### **Article 30**

- (a) Buy, sell and deal in gold coins and bullion.
- (b) Buy, sell and deal in foreign currencies, using for this purpose the means usually adopted in banking operations.
- (c) Buy, sell and deal in treasury notes and other bonds referred to in Article (28).
- (d) Open and maintain accounts abroad.
- (e) Open and maintain accounts, and act as agent or correspondent for foreign central banks or similar institutions and for foreign governments and their agencies, as well as for international financial institutions.

### **Article 31**

In carrying out the operations mentioned in Article (30) the Agency may deal only with banks located in the State of Bahrain, with the Government and its agencies and organization, public authorities, foreign central banks or similar institutions and other foreign banks and governments and their organizations, and with international financial institutions. However, the Agency may, with the prior approval of the Minister of Finance, deal with other persons upon such terms and conditions as the Agency's Board of Directors may deem fit.

### **Article 32**

- (a) All profits resulting from the re-evaluation of the Agency's assets or commitments in gold or foreign currencies as a result of any change in the parity rate or external rate of the currency of the State of Bahrain, as well as the profits resulting from a change in the value, parity rate or rate of exchange of such assets or liabilities in relation to the currency of the State of Bahrain, shall be entered in a special account to be entitled "RE-EVALUATION RESERVE". Profits and losses resulting from such changes may not be included in the annual profit and loss account of the Agency. Losses resulting from such a change shall be deducted from the credit balance of the "RE-EVALUATION RESERVE" account. If the credit balance of this account is insufficient to cover this loss and notwithstanding any other provision of

this law, the government shall issue bonds in favor of the Agency for the value of the deficit, and such bonds shall not be negotiable and shall be interest-free.

(b) In case the “RE-evaluation Reserve” account shows a credit balance, the Agency shall at the end of each financial year begin by redeeming on behalf of the Government the bonds issued under the provisions of paragraph (a) of this Article and of Article (17) paragraph (b). If the balance remaining after such redemption exceeds five percent of the value of the accrued liabilities of the Agency pertaining to the currency issue account, the Agency shall pay the excess to the Government. In case such remaining balance is not in excess of five percent of the value of these liabilities, no payment shall be made to the Government. No entry shall be made to the debit or credit of the “Re-Evaluation Reserve” account, except as prescribed in this Article.

## **CHAPTER FIVE Relations with Banking Firms**

### **Article 33**

The Agency may carry out the following operations with banking firms :-

A - Open and maintain accounts for banking firms, and accept their deposits, upon the terms and conditions to be from time to time determined by the Agency’s Board of Directors.

B - Buy, sell, discount and re-discount bills of exchange and promissory notes drawn or issued for bona fide commercial, industrial or agricultural purposes, bearing two or more valid signatures and maturing within 92 days of the date of their acquisition by the Agency.

C - Buy, sell, discount or re-discount government treasury notes that are part of a public issue and maturing within 92 days of the date of their acquisition by the Agency.

D - Grant loans, whether in the form of advances or credit facilities, for periods not exceeding 180 days, against securities considered by the Agency’s Board of Directors to be adequate.

E - Buy, sell and deal in the assets mentioned in Article (30) of this law.

F - Bonds issued or guaranteed by the Government within the limits set in Article (46).

G - Grant loans, in exceptional circumstances, for the purpose of assisting the borrowing banking firm to overcome a sharp drop in its liquidity or solvency. The terms and conditions pertaining to such loans shall be determined by the Agency’s Board of Directors with the approval of the Minister of Finance.

### **Article 34**

The Agency shall from time to time set and publish the rates of interest for its transactions to be concluded with banking firms in accordance with Article (33). The Agency may set different rates for different classes of transactions or maturities.

### **Article 35**

(a) The Agency shall from time to time notify banking firms at their respective head offices of the necessity of maintaining a cash reserve against deposits and such other similar liabilities as shall be specified for this purpose. This reserve shall consist of either liquid funds to be maintained by the banking firms or credit balance in their accounts with the Agency, in such percentages as the Agency shall from time to time determine. However, in case the amount of the mandatory cash reserve maintained by any banking firm in its account with the Agency exceeds ten percent, the Agency may in such a case pay interest to such banking firm on the excess.

(b) The Agency shall have the right to set different percentages for the liquidity reserve according to the different classes of deposits and other similar liabilities, and shall have the right to determine the method of Calculation of such percentages. This reserve or any increase in its percentage shall be imposed only after a reasonable notice period to be announced by the Agency.

(c) If the balance of the cash reserves of any banking firm falls short of what it should be under the provisions of this Article, the Agency shall impose upon such banking firm a fine at an annual percentage which shall not exceed by more than five percentage points the maximum interest rates set by the Agency for its own transactions, in accordance with Article (34) , at the time of the deficit. This fine shall be calculated on the amount of the deficit for each day that the deficit persists.

### **Article 36**

(a) The Agency may, according to the requirements of the financial and economic activity in the State, specify the purposes for which credit may be granted, as well as the total maximum limits of such credit, the maximum amount that cannot be exceeded without prior approval from the Agency, the maximum period of maturity, the minimum financial security and the minimum cash guarantee, to be required by the banking firm from its customer. The Agency's decisions in this respect shall be sent to the head office of each banking firm.

(b) Any banking firm acting in contravention of the Agency's decisions issued within the purview of the preceding paragraph, shall be under obligation to pay to the Agency for each offence a fine to be determined by the Agency's Board of Directors, provided that such fine shall not exceed a thousand dinars for each offence for every day during which the offence persists.

### **Article 37**

Every banking firm must maintain assets consisting of commitments payable in the currency of the State of Bahrain and other assets located in the State of Bahrain, within a certain

percentage of the deposits and other liabilities payable in Bahrain. The Agency shall from time to time set the minimum limit of such percentages by virtue of instructions it will issue.

#### **Article 38**

The Agency shall from time to time issue instructions to set the maximum limit of the operating balances that banking firms are allowed to maintain in foreign currencies or that may be maintained in a given currency or in certain currencies.

#### **Article 39**

The Agency shall, within a reasonable time and after agreement with banking firms, set up a Clearing House. The Board of Directors of the Agency shall lay down the regulations and instructions pertaining to the Clearing House.

#### **Article 40**

Finance for insuring the deposits held by banking firms. The Agency may participate in any plan approved by the Minister of Finance for insuring the deposits held by banking firms

### **CHAPTER SIX Relations with other Financial Firms Operating in the State of Bahrain**

#### **Article 41**

The Agency's Board of Directors may, after obtaining the approval of the Minister of Finance, subject all or any of the financial and investment firms and companies to all or any of the provisions governing the Agency's relations with banking firms, as set forth in this Law, and to all or any of the control provisions pertaining to banking firms set forth In this Law, and to such special provisions as the Agency's Board of Directors may lay down in regard to the manner of dealing with financial and investment firms and companies and of exercising control over such firms and companies.

### **CHAPTER SEVEN Relations of the Agency with the Government**

#### **Article 42**

- (a) The Agency shall be the Bank of the Government, shall act as its financial agent, and shall be the agency where Government Funds are to be deposited. The Agency may, with the prior approval of the Minister of Finance, render the same services to Government organizations, Government agencies and public authorities.
- (b) As an exception to the provisions of the preceding paragraph. the Government may open and maintain accounts with other banking firms and, in general, utilize the services of such banking firms in such cases, for such periods and under such terms and conditions as shall be agreed upon between the Minister of Finance and the Agency.

- (c) The Agency shall receive and disburse government funds, and shall keep the relative accounts, without collecting any charge for such services. The Agency shall not pay any interest on the credit balances of the Government.
- (d) The Agency shall assume the administration of the National Debt and shall make the agreements for its issue, shall pay the relative interests and redeem bonds, warrants, notes and other debentures of the Government, of its organizations and agencies, or of public authorities guaranteed by the Government.
- (e) The Government may, through the Minister of Finance, ask the Agency to express an opinion and prepare reports on matters relating to the objects of the Agency.
- (f) The Agency must submit to the Government, through the Minister of Finance, a report on events affecting the monetary and financial situation, their causes, results and suggested remedial action, as well as on any matter that, in the opinion of the Agency, may affect the Agency's efforts to realize its objects.

#### **Article 43**

The Agency, as agent for the Government, shall enforce any exchange control law and, in this capacity, shall have the power to examine and approve applications, to grant permits and exemptions there from, and to take such other actions as it may be delegated by the Minister of Finance to take in accordance with the provisions of the law.

#### **Article 44**

- (a) The Agency may advance loans to cover any seasonal deficit in the national budget, provided such loans shall be payable within the three months immediately following the end of the fiscal year during which the loans were granted, and provided also that such loans shall not exceed 10% of the budget revenues for the preceding year. Such loans shall bear interest at such rate as shall be determined by the Agency's Board of Directors. Similar loans may, with the prior approval of the Minister of Finance, be granted to Government organizations, Government agencies and public authorities.
- (b) Without prejudice to the provisions of the preceding paragraph, the Agency shall have the right to advance to the Government, upon terms and conditions to be agreed upon, such loans as are necessary to pay the subscriptions and make other payments resulting from, or necessary for, the State of Bahrain's membership in any international financial institution, for the State of Bahrain's contribution to any account as a result of such membership, or for the execution of any related transactions or operations.

#### **Article 45**

The Agency may purchase, sell and deal in bonds, warrants, notes and other debentures issued by the Government, or those issued by Government organizations or agencies or by public authorities under the guarantee of the Government, provided that such bonds were

offered for sale to the public and were part of a publicly offered issue at the time of their acquisition by the Agency.

#### **Article 46**

(a) Except for the cases mentioned in this Article and in Articles (33), (40), (44) and (45), the Agency shall not directly or indirectly grant loans or hold bonds, warrants or other debentures issued or guaranteed by the Government, its organizations or agencies, or by public authorities, provided however that the implementation of the provisions of this Article shall not prevent the Agency from acquiring notes under the provisions of Article (17) paragraph (b) and Article (32) paragraph (a) nor from advancing loans pursuant to Article (44) paragraph(b).

(b) Except for the loans allowed under paragraph (a) above, the value of the loans advanced by the Agency to the Government and the value of any bonds, warrants, notes and other debentures issued by the Government and its agencies or by public authorities with the guarantee of the Government, that are held by the Agency shall at no time in total aggregate exceed 25% of the annual average of the ordinary revenues of the Government, except in the case provided for in paragraph ( e ) of this Article.

(c) In the implementation of paragraph (b). the ordinary revenue of the Government shall consist of revenues from taxes, real property, assessments, royalties, fees, charges, rentals, profits and income derived from any Government investment or operation, any transfer to the Government revenues made by Government organizations and agencies or by public authorities. These revenues shall not, however include the proceeds of any loans, donations or other forms of economic assistance. The annual average of ordinary revenues shall mean the average of ordinary revenues during the preceding three years for which accounts exist.

(d) In case the Agency's Board of Directors decides:-

1 - that the limits set in paragraph (b) risk to be exceeded, or

2 - that exceeding the limits set in paragraph (b) involves a risk.

the Agency must submit to the Minister of Finance a detailed report on the situation and the appropriate remedial measures it recommends The Agency must also continue to submit periodic reports and recommendations at intervals not exceeding six months until such time as, in its opinion, the situation shall have been corrected.

(e) If indebtedness reaches the limit referred to in paragraph (b) the Agency shall so notify the Minister of Finance and shall not directly or indirectly allow any increase in its loans to the Government or in Government loans already in its possession.

However, the Prime Minister may require the Agency to allow a temporary increase in the limit of indebtedness upon such terms and conditions as the Government shall set, and for a period not exceeding six months. The Prime Minister shall notify the Agency that the Government shall assume the responsibility of implementing the policy it has set, whereupon the Agency must implement such policy as long as the order remains in effect.

#### **Article 47**

In accordance with a decision of the Minister of Finance, the Agency shall be the financial agent, custodian and agency through which all operations shall be transacted with the international financial institutions of which the State of Bahrain is member.

#### **Article 48**

The Agency is exempt from all Government taxes, local rates and stamp duties on its documents, profits, operations, capital and property.

#### **Article 49**

The Agency shall be liquidated only by a law that shall determine the liquidation formalities and time limits.

### **CHAPTER EIGHT Other Operations of the Agency.**

#### **Article 50**

The Agency may, through its Board of Directors or its duly authorized officials, exercise all the powers vested in it under the provisions of this Law. It may also do all such other acts as are considered necessary for or incidental to the exercise of its powers. The Agency shall in particular, do the following :

- (a) Issue sight drafts and make other transfers that are payable at its head office or its branches, or with any of its agents or correspondents.
- (b) Open accounts and accept deposits from persons other than those mentioned in Article (33) paragraph (a) and Article (42) paragraph (a), subject to the prior approval the Minister of Finance.

#### **Article 51**

The Agency may not:

- (a) Engage in trade or have an interest in any financial, commercial, agricultural, industrial or other operation, except as provided in Article (40) of this law.
- (b) Purchase or retain title to real property, except real estate reserved for the conduct of the Agency's business and for the housing of its officials and employees.
- (c) Advance unsecured loans, except as provided in Article (33) paragraph (f) of this law.
- (d) Advance loans upon security different from that set forth in law, provided however that in case any debt due to the Agency is exposed to danger, the Agency may accept real or other property as a security for payment, and in case of foreclosure, the Agency shall acquire title to, and possession of such property which shall, however, be sold as soon as market conditions permit such sale.

(e) Accept shares as collateral, except where shares are accepted as security under the provisions of paragraph ( f ) of Article (33) and paragraph (d) of this Article.

#### **Article 52**

The Agency may grant loans to its officials and employees upon the terms and conditions to be set by the Agency's Board of Directors.

### **CHAPTER NINE Accounts of the Agency**

#### **Article 53**

The financial year of the Agency shall coincide with the Government fiscal year.

#### **Article 54**

(a) The Agency's accounts shall be audited by an auditor to be appointed by the Board at the beginning of every financial year with the approval of the Minister of Finance.

(b) Without prejudice to the provisions of the preceding paragraph, the Minister of Finance may at any time appoint any other auditor to verify the accounts of the Agency or any aspect of its operations and to prepare a report on the matter. The Agency must give such an auditor all necessary and appropriate facilities.

#### **Article 55**

The Agency shall, within the two months immediately following the end of the financial year, submit to the Minister of Finance:

A - A copy of the annual accounts duly certified by the auditor.

B - A report on its operations during such year. The Agency shall publish these accounts and the report. The Minister shall, as soon as possible after receiving these two documents, submit to the Council of Ministers a copy of the annual accounts and the report on operations and publish the annual accounts in the Official Gazette.

C - The Agency shall, as soon as possible after the end of the last workday in March, June and September of each year, prepare and publish a statement of its assets and liabilities on the last day of the month it shall submit a copy of such statements to the Minister of Finance who shall publish them in the Official Gazette. The Agency shall also issue such reports and other publications as are, in the opinion of the Agency's Board of Directors, dictated by the public interest.

### **CHAPTER TEN Operating Licenses for Banking Firms**

#### **Article 56**

Any company, firm, agent or representative who wishes to practice the banking profession in the State of Bahrain must file with the Agency an application to this effect. The Agency may



accept the application and grant the license to practice the banking profession, or refuse to grant the license, stating the reasons on which its refusal was based. The Agency's acceptance to grant the license shall be subject to the approval of the Ministry of Finance. The license may not be granted to any person to operate as a banking firm - with the exception of foreign banking firms - unless such person has taken the form of a corporation organized in accordance with the provisions of the laws of the State of Bahrain.

#### **Article 57**

Persons who, on the date of enforcement of the provisions of this Chapter, were authorized by the Ministry of Finance to engage in banking operations or to act as agents or representatives of foreign financial or investment interest, shall be considered, as of that date and for the subsequent twelve months, to be licensed to engage in such operations. However, in case such firms, agents or representatives wish to continue to perform these operations after the expiration of the twelve months period, each must, in the course of the period referred to above, file with the Agency an application for a license to do so. If the Agency is satisfied that the application fulfils all the conditions laid down in this Law, it shall grant him the license to continue to perform his operations.

#### **Article 58**

The Agency shall determine the particulars to be included in the application for a license, as well as the documents to be attached to the application.

#### **Article 59**

The Agency may, upon granting the license, impose such terms and conditions as it may deem necessary for the proper practice of this activity, and without prejudice to the aforementioned general rule, foreign banking firms must, before being permitted to begin operating in the State of Bahrain, submit the following documents to the Agency:

A - An official, written document duly executed in accordance with the provisions of the law, whereby the banking firm appoints an agent in the State of Bahrain upon whom all writs of summons and process papers addressed to such firm shall be served.

B - A written certificate of appointment, which may from time to time be replaced by a new such certificate, stating the name and address of the General Manager, the Manager, the authorized official or agent, or any other person in the State of Bahrain who had an official connection with foreign institutions.

#### **Article 60**

It is prohibited for any person, without a license issued to him under the provisions of the preceding articles, to engage in banking operations or to act as agent of any foreign financial or investment interests that are not licensed to engage in banking operations in the State of Bahrain. It shall also be prohibited for such a person to represent such interests or to carry out any activity for their account in the State of Bahrain. Whoever shall act in contravention of the foregoing shall be punished by a term of imprisonment not exceeding six months and/or a

fine not exceeding 1,000 (one thousand) dinars, in addition to the closure of his place of business.

#### **Article 61**

Except for financial firms that operate as banking firms it shall be prohibited for any person, without the approval of the Agency, to use the word "Bank" or its synonyms in any language, or any other word indicating the performance of banking operations, in the special name, description or commercial style used by such person in doing business in the State of Bahrain. Nor shall such a person use or continue to use any synonyms having this meaning in his invoices, letters, notifications, notices or in any other way in the practice of his profession in the State of Bahrain. Whoever shall contravene these provisions shall be punished by a term of imprisonment not exceeding six months and/or a fine not exceeding 1,000 (one thousand) dinars.

#### **Article 62**

It must be ascertained, before granting the license to any banking firm, that the commercial style it has adopted is not so closely similar to the name of any other firm as to cause confusion to the public or give rise to any misapprehension in this connection. No banking institution may, without the written approval of the Agency, change its commercial style mentioned in the license granted to it.

#### **Article 63**

The license issued pursuant to this law must be exhibited and remain so in a conspicuous place on the premises open to the public, such as the head office and other offices, branches and other business premises of any banking firm or agent or representative in the State of Bahrain.

#### **Article 64**

The license issued to a banking firm shall give it the right to operate in the place or places designated in the license. No banking firm may, without the approval of the Agency, open a new place of business, change or close an existing place of business in the State of Bahrain. Before granting such approval, the Agency may make the necessary inspection

#### **Article 65**

A - Banking firms operating in the State of Bahrain may not without the prior approval of the Agency:

- 1 - Merge or combine with others
- 2 - Transfer all, or a major part of their assets or liabilities in the State of Bahrain, except so far as such transfer is effected within the normal scope of their operations.
- 3 - Make any modification in their capital.

4 - Modify their Memorandum of Association by laws, or any other document pertaining to their organization.

B - The Agency's Board of Directors shall lay down a special regulation containing the rules and formalities to be followed by banking firms when merging or combining together.

#### **Article 66**

The Agency may, in the following cases, cancel the license granted.

A - If the licensee has not started to operate within six months after being granted the license.

B - If he acts in contravention of the conditions of the license or fails to follow the formalities prescribed by the Agency pursuant to the provisions of Article (65).

C - If he repeatedly violates any of the provisions of this Law.

D - If he suspends his operations in the State of Bahrain. Before canceling the license, the Agency shall notify the banking firm involved or the agent or representative concerned of its intention to cancel the license, and shall give the party involved reasonable time to object to such cancellation and state the grounds on which its objection stands. Then the Agency shall, after securing the approval of the Minister of Finance, notify the party concerned, whether this is a banking firm, an agent or a representative, of its decision on the subject.

#### **Article 67**

Upon canceling the license, the Agency shall publish the decision of cancellation in the Official Gazette, in a circulating local newspaper, and on the premises of the main office of the banking firm, agent or representative, in the State of Bahrain. The Agency shall also take such other action as is necessary to make this cancellation known to the public.

#### **Article 68**

In case the Agency issues a decision refusing to grant a license to a banking firm, agent representative, or any other person who has filed an application pursuant to the provisions of the Articles referred to above, the applicant may file with the Minister of Finance an appeal from the Agency's decision within thirty days following his receipt of the Agency's notification advising him of its decision. After hearing both parties, the Minister of Finance shall either confirm the Agency's decision and make it final, or order the approval of any request of suggested action.

#### **Article 69**

If the Agency has reason to believe that a person is engaging in banking operations or is acting as agent or representative, without a valid license, the Agency may ask the competent Court to issue an order empowering it to examine the books, accounts and records of such person for the purpose of making sure whether or not an offence has been committed. Every

person who has in his custody funds he had obtained as a result of his engaging in banking operations or of his acting as agent or representative without a license issued to him pursuant to the provisions of this law, must return such funds according to the instructions to be issued by the Agency.

## **CHAPTER ELEVEN Capital and Reserve**

### **Article 70**

A - The paid-in capital of any banking firm shall not be less than 500,000 (five hundred thousand) Bahraini dinars for firms organized in the form of corporations under the provisions of the laws of the State of Bahrain.

B - Every banking firm that did not take the form of a corporation must set aside an amount equal to that mentioned in the preceding paragraph for its operations in Bahrain.

### **Article 71**

The Agency may fix the capital necessary for any banking firm on the basis of a certain percentage of all the liabilities of such firm, In calculating the minimum capital, the regulations to be issued by the Agency regarding the kind and method of calculation of capital and liabilities, must be followed, provided that, in all cases, the capital shall not be less than the minimum prescribed in Article (70).

### **Article 72**

Every banking firm shall have a Reserve Account, and the Agency shall from time to time by regulation determine the amount and form of the reserves. Every banking firm must, before declaring any dividends or transferring any profits to its head office or elsewhere, transfer to the Reserve Account an amount of not less than twenty percent (20%) of its annual net profits after deduction of taxes. Such transfer shall continue until the credit balance of the Reserve Account plus the irreducible capital amount to five percent (5%) of the value of deposits and other similar liabilities.

### **Article 73**

The Reserve Account may not be reduced or diminished. However, the Agency may authorize its reduction for the purpose of increasing the capital, or permit it to be diminished to cover any loss, if this is the only possible way to cover the loss. Agreement must be reached with the Agency on the period within which the deficit in the account has to be made good.

### **Article 74**

In establishing the account pertaining to the capital and the reserves, the banking firm and the auditor must ascertain that the account includes provisions for the following items :

- (a) Depreciation of the assets and provisions for bad and doubtful debts, which must be calculated at least once in every financial year.
- (b) Loss resulting from its operations and cumulated losses, including cumulated depreciation and the bad debts which have not yet been written off.
- (c) Preliminary expenses consisting of expenditure pertaining to the organization, expansion, or purchase of the banking firm or the commercial styles, including commission on capital subscription.
- (d) Any other items to be determined by the Agency by virtue of a regulation.

#### **Article 75**

A banking firm may not declare any dividends, nor credit the account of shareholders or pay them any part of the profits, nor make any transfer from profits, if such payment or transfer will result in diminishing the capital or the minimum balance of the Reserve Account.

#### **Article 76**

A banking firm shall not, without the approval of the Agency and except upon the terms and conditions the Agency shall determine:

- (a) Grant loans or credit facilities, or give a guarantee or securities, or assume any other financial obligation in favor of any natural or juristic person, in amounts exceeding in the aggregate such percentage of the banking firm's own funds as shall be determined by the Agency.
- (b) Grant loans for the purchase or acquisition of real property or for any other investment in real estate in excess of a percentage of the institution's deposits and other similar liabilities to be determined by the Agency, or allow the aggregate value of accrued loans for such purposes to exceed such limit.
- (c) Grant loans upon the security of its own shares of capital stock.
- (d) Allow the aggregate value of accrued unsecured loans to exceed the following limits, or grant unsecured loans in excess of such limits :
  - 1 - The maximum to be set by the general meeting for any member of the Board of Directors, whether such loans are granted to the directors jointly or individually.
  - 2 - Ten percent of the total of its irreducible Capital and the Reserve Account, for any other firm in which one of its directors has an interest as a director, partner or part-owner or manager of such a firm, or in any other form.
- (e) Allow the value of accrued unsecured loans granted to any of its officials or employees to exceed in the aggregate the annual salary of such official or employee, or grant unsecured loans to such an official or employee in excess of such limit.
- (f) Engage in trade, except so far may be temporarily necessary for the conduct of its business or to recover debts due to it.

(g) Purchase, acquire or lease real property, except so far as is necessary for the conduct of its business, taking into consideration future needs, and for housing its officials and employees, provided that :

1 - As regards real property acquired or leased by the banking firm before the coming into force of this Law and for a purpose not included in those mentioned above, the firm shall be granted a grace period of three years to conform to the provisions of this paragraph.

2 - A banking firm may accept real or other property or assets as a security for its loans, and in case of non-payment, the banking firm may acquire such assets provided that it disposes of them within the period to be fixed by the Agency. Every banking firm which may have, prior to the coming into force of the provisions of this Law, carried out any operations that are inconsistent with the provisions of this Article, must report such operations to the Agency and liquidate all such operations within the period to be fixed by the Agency.

## **CHAPTER TWELVE Accounts and Statements of Banking Firms**

### **Article 77**

A - The financial year of banking firms shall coincide with the calendar year.

B - Every banking firm must, within a maximum period of three months after the end of every financial year, send to the Agency and make public the balance sheet and the profit and loss statement covering all the operations it has carried out until the end of the year. This shall be done in the form and manner to be specified by the Agency. The balance sheet and the profit and loss statement must be certified by the auditor.

### **Article 78**

A - The Agency may, by virtue of such regulations as it may from time to time issue, ask banking firms for such statements, particulars, or information pertaining to their operations in the State of Bahrain as may be necessary for the purposes of this Law.

B - The Agency may publish, at the times it shall determine, any or all of the information it obtains pursuant to the provisions of this Law, provided, however, that no particulars or information shall be published that may result in divulging certain operations pertaining to a banking firm or to one of its customers without obtaining, prior to publication, a written consent from each party involved.

C - The Agency shall not, without court order, disclose to any person any information relating to the affairs of any customer of a banking firm, if the Agency has obtained such information in the course of exercise of its function under the Law.

### **Article 79**

A - Every banking firm must, at the beginning of every financial year, appoint a technically qualified auditor acceptable to the Agency, whose duties shall consist of

the preparation of a report on the annual balance sheet and the profit and loss statement to be submitted to the shareholders or owners, and as far as foreign banking firms are concerned, to be sent to their respective head offices abroad. In these reports, the auditor must state whether, in his opinion, the balance sheet and the profit and loss statement are complete, correct and properly drawn up, and whether they reflect a true and correct picture of the operations carried out by the banking firm. He must also state in the report whether the clarifications and information he had called for from the officials and agents of the banking firm are considered satisfactory.

B - If a banking firm fails to appoint an auditor acceptable to the Agency, the Agency shall have the right to appoint an auditor. The banking firm shall pay the fees of the auditor whether he was appointed by the firm itself or by the Agency. However, in the case of the auditor who is appointed by the Agency, his fees shall be fixed by the latter.

C - No person having an interest in a banking firm, with the exception of depositors, nor any director, official, employee, agent or representative of a banking firm, may be appointed as auditor of such a firm. In case the person appointed as auditor acquires, after such appointment, any interest in such firm or becomes a member of its Board of Directors or an official, employee, agent or representative of such firm, he shall be considered "removed" from the office of auditor forthwith.

#### **Article 80**

In the case of banking firms organized in the form of corporations under the provisions of the laws of Bahrain, the auditors' report must be submitted with the Board of Directors report to the annual meeting of shareholders for discussion and approval.

#### **Article 81**

The Agency may, at the request of any banking firm, allow an extension of the time limits set for the submission of any statements or documents to the Agency pursuant to the provisions of this law, if there are circumstances justifying such extension.

### **CHAPTER THIRTEEN Investigation of Banking Firms**

#### **Article 82**

The Agency may from time to time order an investigation of any banking firm, if the Agency decides that such an investigation is required or necessary to determine whether the banking firm involved is in a sound financial position and has observed in the conduct of its business the provisions laid down in this law. This investigation shall be conducted by inspectors to be appointed by the Agency either from among its own officials or from among technically qualified auditors who shall in the performance of their duties be bound by the provisions of Article (76) prohibiting the disclosure of information.

#### **Article 83**

Every banking firm shall submit for examination, at the time fixed by the inspector appointed by the Agency, all books, minutes of meetings, accounts, liquid funds, documents and vouchers pertaining to its operations in the State of Bahrain, and must also furnish all related information within such limits as the inspector deems reasonable and within the time limits he shall determine

#### **Article 84**

If the Agency decides that the investigation indicates that a firm under investigation carries out its operations in contravention of the provisions of this law or of the regulations issued in implementation thereof, the Agency may in this case:-

A - Compel the banking firm to immediately take such action as the Agency deems necessary to correct the situation.

B - Appoint a person deemed by the Agency to possess the expertise and qualifications to advise the banking firm on the steps it must adopt in order to correct the situation. The Agency shall fix the fees of this person who shall be paid by the banking firm.

C - Suspend for a period not exceeding six months the license granted or issued pursuant to this. law.

Taking the actions mentioned in paragraphs (B) and (C) require the approval of the Ministry of Finance

### **CHAPTER FOURTEEN Miscellaneous Provisions Pertaining to Banking Firms**

#### **Article 85**

A - Without prejudice to any of the provisions of the laws in force in the State of Bahrain in respect of companies, if any person acting as director, manager or official responsible for the direction or management of a banking firm, is convicted of a crime affecting honesty or is declared bankrupt, or if his legal capacity is totally or partially impaired by Court decision, such person shall be considered removed from his office.

B - A person who was acting as a director, manager or official responsible for the direction or management, or was directly or indirectly involved in the direction or management of a banking firm in respect of which a decision was issued canceling its license, shall not act or continue to act in such capacity or be directly or indirectly involved in the management of any other banking firm without the Agency's approval.

#### **Article 86**

A - Every director, manager, official responsible for the direction or management of a banking firm, who has, in any form or in any direct or indirect way, an interest in any loan granted by such banking firm, shall submit as soon as possible a written



statement to the Board of Directors or to any other body responsible for the direction or management of such firm setting for the nature of such interest. This obligation shall not apply to any such persons if his interest is merely limited to his being a creditor of or a part owner of an establishment desirous of benefiting from a loan it obtains from the banking firm, where such interest in both its form referred to cannot by any means be considered important.

B - In the application of paragraph (A), any statement made by a director, manager or other responsible official of a banking firm with regard to his interest in any loan which such firm may grant after the date of such a statement, shall be considered to be an adequate statement if:

1. He specifies in the statement the nature and extent of his interest.
2. His interest when the loan is granted does not differ in nature, nor exceed in extent, the nature and extent set forth in his statement.

#### **Article 87**

A director, manager, official, agent or representative of any banking firm shall not:

- A - Make false or misleading statements with fraudulent intent.
- B - Omit, with fraudulent intent, to make any statement or any entry in the books or accounts of the banking firm.
- C - Obstruct the performance of the auditor's duties under the provisions of this Law.
- D - Obstruct the investigation conducted by inspectors appointed and duly authorized by the Agency

Without prejudice to any severe penalty prescribed in any other law, whoever commits any one of these acts shall be punished by a term of imprisonment not exceeding two years and/or a fine of not more than 5,000 (five thousand) dinars

#### **Article 88**

Any director, manager or official responsible for the direction or management of a banking firm who deliberately neglects to take all necessary action to ensure the implementation of the provisions of this Law by such banking firm, shall be punished by a term of imprisonment not exceeding six months and/or a fine of not more than 1,000 (one thousand) dinars.

#### **Article 89**

- A - Banking firms shall be open for business to the public every day, except holidays, during the working hours to be approved by the Agency.
- B - The Agency shall, by a regulation it shall issue, announce bank holidays during which no banking firm shall be open for business to the public, whether such holidays are official or unofficial.

#### **Article 90**

Obligations that can be discharged only at the place of business of a banking firm and come to maturity on a given day or hour when such a firm is not open for business to the public in accordance with the provisions of Article (89), shall be considered as coming to maturity on the first working day immediately following such holiday.

#### **Article 91**

Every banking firm that intends to suspend its operations in the State of Bahrain, shall give the Agency prior notice to this effect. The notice period shall not be less than six months. The Agency may, however, agree to reduce the prescribed notice period if it is satisfied that the rights of depositors are safeguarded. The Agency must make sure that the banking firm wishing to suspend its operations discharges all its obligations to depositors and other creditors. This shall be ascertained in accordance with the rules and measures to be determined by the Agency in this respect.

### **CHAPTER FIFTEEN Administration of Banking Firms By The Agency and Their Forced Liquidation**

#### **Article 92**

A - Any banking firm whose financial operations are in disorder and who suspends payments of its debts, except for penal fines and taxes of any kind, shall be considered to be in a state of insolvency.

B - Any banking firm that is in a state of insolvency shall cease to accept deposits.

C - Any director, manager, official or employee who receives or approves the acceptance of deposits although he is aware or is supposed to be aware by reason of the performance of the duties of his office of the insolvency of the banking firm, shall be punished by a term of imprisonment not exceeding two years, and/or a fine of not more than 5,000 (live thousand) dinars.

#### **Article 93**

The Agency may, with the prior approval of the Minister of Finance. assume the administration of any banking firm in the following cases:

A - If it becomes insolvent.

B - If its liquidity or insolvency are in jeopardy.

C - If its continued activity is detrimental to the rights of depositors.

D - If it commits serious contraventions of the provisions of this Law.

When assuming the administration of any banking firm, the Agency shall publish a notice to this effect in the Official Gazette, post such a notice in every place of business of such firm, and in the local newspapers appearing on the day the Agency assumes administration.

#### **Article 94**

The banking firm may, within the ten days following the Agency's assuming administration, ask the Minister of Finance to issue an order terminating the Agency's administration. In case the Minister denies this request, the banking firm may have recourse to the Court within ten days of the date of issuance of the Minister's decision denying the request, and the Court shall examine the case expeditiously.

#### **Article 95**

A - When the Agency assumes the administration of any banking firm, it shall alone have all powers in regard to the Management and control of such banking term including, without limitation, the power to continue the operations by way of exception from the provisions of Article (92), or to suspend such operations, the power to suspend or limit the discharge of the financial obligations of the banking firm, the power to sign any documents on behalf of the banking firm and the power to file lawsuits in its name, defend it, or take part in any court proceedings to which the banking firm is a party.

B - The Agency shall, as soon as possible after assuming the administration of any banking firm, make an inventory of the assets and funds of the banking firm and send a copy of the inventory report to the Minister of Finance. Another copy of the inventory report shall be kept at the Head Office of the banking firm where interested parties shall have access thereto.

#### **Article 96**

The Agency must collect all debts owing to the banking firm whose administration it has assumed, which fall due during the period of such administration. It shall also collect any claims that the banking firm may have on others and take such legal or judicial action as is necessary for the collection and safeguard of such debts and claims. All fees and expenses borne by the Agency in this respect shall be charged to the account of the administered banking firm.

#### **Article 97**

A - With the exception of restraints and lines laid on the assets and funds of the banking firm at least six months before its administration was assumed by the Agency, all restraints and other lines shall be considered null and void, and no restraints may be made nor can any lines be established on the assets and funds of the banking firm throughout the period of administration.

B - Any transfer of the assets and funds of the banking firm made after the insolvency of such firm and the assumption of its administration by the Agency, shall be considered null and void when it is made with the intent to grant a preference.

#### **Article 98**

No execution orders may be issued in respect of the assets or funds of any banking firm administered by the Agency, except for execution orders issued on the basis of a Court ruling issued before the date on which the Agency assumed the administration of such firm.

#### **Article 99**

After assuming the administration of a banking firm, the Agency must, within a maximum period of six months from the date on which it assumed administration apply to the Minister of Finance for his approval of the forced liquidation of the banking firm in accordance with the provisions of paragraph (a) of Article (100) or of the return of the administration to the banking firm.

#### **Article 100**

A - The forced liquidation of a banking firm shall be effected by virtue of a Court Ruling issued at the request of the Agency who must, immediately after filing its request at the Court, serve notice on the Directors, Owners, Depositors and other creditors of the banking firm, as well as on any party involved in the request. These persons shall have the right, within thirty days of the date of such notice, to file their objections with the Court, and the Court shall issue a ruling in this respect within thirty days following the expiration of the period prescribed for the submission of objections.

B - The Court shall either order forced liquidation and, in this case, appoint the liquidator recommended by the Agency and fix his fees, or deny the request for liquidation and order termination of administration by the Agency.

#### **Article 101**

A - When proceeding with the forced liquidation, the liquidator shall have the right to exercise any of the powers of the banking firm under liquidation. However, he must obtain the approval of the Court in order to be able to take any of the following measures :

- 1 - Sell any asset or property of the banking firm when the value of such asset or property is in excess of 100,000 (one hundred thousand) dinars.
- 2 - Hypothecate any of the assets or funds of the banking firm as a security in favor of any creditor of such banking firm.
- 3 - Make any settlement or waiver of rights when the amount involved exceeds 50,000 (fifty thousand) dinars.

B - The liquidator may, after the issuance of the Court ruling ordering forced liquidation, terminate any employment agreement, or any lease agreements or service agreements signed by the banking firm under liquidation within three months immediately preceding the date on which the Agency actually assumed its administration.

C - The liquidator must, as soon as possible after the issuance of the Court ruling ordering forced liquidation, take such measures as are necessary to terminate the activities of the banking firm relating to the custody of safe deposits, to return to the owners all assets and funds held in safe deposit by the banking firm, and to close safe deposit accounts.

D - The liquidator shall, as soon as possible after the court ruling ordering forced liquidation is issued, send by registered mail to all depositors and other creditors, all safe deposit box holders as well as to owners of real property or other assets leased to the banking firm, at their respective addresses appearing in the books of the banking firm, a statement on the nature and amount of their rights as recorded in such books. This statement shall specify that any objection to it must be sent to the Court within a time limit which shall not be less than sixty days. The statement shall also include an invitation to the holders of safe deposit boxes and to owners of funds deposited as security to recover their property.

E - If upon the lapse of sixty days the holders of safe deposit boxes have failed to withdraw their property, the boxes shall be opened in the manner to be determined by the liquidator. As regards property held by the banking firm under liquidation that is not claimed by the owners, as well as real property and other assets occupied by the banking firm as a tenant, and the lists of their contents, these shall be kept by the liquidator for a period of one year unless the owners claim their property before the end of this period.

F - The liquidator may take such other action as he may deem necessary for the liquidation operations.

## **Article 102**

Within the six months immediately following the expiration of the period allowed for objections as set in the notice of forced liquidation referred to in Article (101) (d) or within such longer period as the Court may set, the liquidator shall :

A - Reject any claim if he doubts its validity.

B - Determine the amount which may be due to each depositor or each creditor, as well as the order of precedence of his claim under the provisions of this Law.

C - Notify each person whose claim could not be accepted in full

## **Article 103**

The liquidator shall prepare a program covering the liquidation formalities and operations which he proposes to carry out, and shall submit this program to the Court that issued the order of liquidation. The liquidator shall, once a week for three consecutive weeks, publish in a newspaper in circulation in the State of Bahrain a notice giving his proposed liquidation program for perusal, The notice shall also give the date on which the program is to be submitted to the Court. This date shall not be earlier than thirty days after the date of the third publication of the notice.

#### **Article 104**

Within the twenty days immediately following the submission of the program referred to in the preceding Article, any depositor or any other creditor, as well as any shareholder or other owner of the banking firm under liquidation, and every interested party, may submit to the Court his objection to the program. The Court shall examine such objections with the interested parties of its choice. If the Court approves the objection, it will order the appropriate modification to be made in the program, and the liquidator may, after submitting the program to the Court and from time to time, make partial distributions to those whose claims were undisputed or were admitted by the Court, provided a reserve is set aside for the payment of disputed obligations owing by the banking firm. The liquidator shall, as soon as possible and after all objections shall have been decided upon, make the final distributions.

#### **Article 105**

A - In the case of forced liquidation of a banking firm, the following payments shall have preference in the order in which they are set out below and shall be made before any other disbursement.

- (1) Necessary and reasonable expenses made by the liquidator to implement the provisions of this Law.
- (2) Any amounts, other than Government deposits, that may be due and payable to the Government or its organizations or agencies, or to public authorities.
- (3) Wages and salaries of the officials and employees of the banking firm for the three months immediately preceding the date on which the Agency assumed actual administration of the banking firm and within a maximum amount of 500 dinars for each individual.
- (4) Any fees or charges accrued to the Agency.
- (5) Deposits within a maximum limit which shall not exceed 1,000 dinars for each depositor.
- (6) Other deposits.

B - If the amounts set aside for the payment of any class of the obligations mentioned in paragraph (a) are not sufficient for its full satisfaction, such obligations shall be reduced in equal proportions.

#### **Article 106**

All remaining assets after satisfaction of all obligations of the banking firm wound up by forced liquidation, shall be distributed to its shareholders or other owners according to their respective shares in its capital.

#### **Article 107**

After completion of the distribution of all assets of the banking firm wound up by forced liquidation, the liquidator must submit an account to the Court and to the Agency, and the

Agency shall not be considered responsible for any obligations relating to the forced liquidation.

## **CHAPTER SIXTEEN General and Temporary Provisions**

### **Article 108**

All decrees, regulations, decisions, rules, notices and directions made or issued under the provisions of the Bahrain Currency Decree No. (6) of 1964 and its amendments and supplements, that are in force on the date of the coming into force of this Law, shall be deemed to have been made and issued as a part of this Law, and shall remain in force until amended by virtue of other provisions to be issued pursuant to this Law.

### **Article 109**

The promulgation of this Law and the establishment of the Agency shall have the following consequences :

- A - The Bahrain Currency Board set up by virtue of Chapter One of the Bahrain Currency Decree, as amended, shall definitively cease to operate or engage in any other activity, provided however that the Minister of Finance may authorize the Bahrain Currency Board to continue to operate for such interim period, not exceeding six months, as is necessary or appropriate for the sole purpose of liquidating its operations.
- B - Title to all assets and liabilities of the Bahrain Currency Board shall pass to the Agency, and in case assets exceed liabilities, the excess alone shall be posted to the Reserve Account of the Agency.
- C - In the application of the provisions of this Law, currency notes and coins issued by the Bahrain Currency Board shall be deemed as issued by the Agency.

### **Article 110**

Bahrain Currency Decree No. (6) of 1964 and its amendments and supplements are hereby abrogated.

### **Article 111**

Every act performed by the Minister of Finance and every preliminary expenditure he has approved for the establishment of the Agency, shall have the same force and effect as if it had been performed or approved by the Agency, and the Agency shall continue any act or other measure he had started pursuant to and in accordance with the provisions of this Law but had not completed upon the date of establishment of the Agency.

### **Article 112**

The Minister of Finance shall issue the decisions necessary for the implementation of this Law. The date on which the provisions of this Law shall, in whole or in part, come into force

shall be determined by a decision of the Minister of Finance, which shall be published in the Official Gazette.