

Newsletter

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keypoint



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Keypoint is one of the GCC's most comprehensive providers of business advisory services. Our services - including accounting solutions, statutory & corporate advisory, investment administration & share registry services, trust services, IT consulting, tax services, human capital solutions, management consulting and financial regulatory compliance advisory - are valued by a wide range of clients, from large multinationals and financial services institutions to family-managed conglomerates and small and medium-sized enterprises.

We put your business first



VAT update

With VAT coming into force in Bahrain on 1 January 2019, there has been significant activity over the last three months as the government, businesses (and VAT consultants) prepare for the most significant change to Bahrain's economic landscape in living memory.



In early October, the VAT law was released. In mid-December, Bahrain's executive regulations – which specify how VAT is applied – were released, leaving little time for businesses which waited for the ERs to prepare themselves for VAT. In recognition of this, the government decided to stagger the implementation of VAT, beginning with Bahrain's largest businesses (taxable turnover above BD5m).

The National Bureau of Taxation (NBT) – newly set-up by the renamed Ministry of Finance and National Economy (MOFNE) – has run a number of workshops to prepare the business community for the implementation of VAT. The Bahrain Chamber of Commerce & Industry invited Keypoint to lead workshops for a number of industrial sectors, including insurance, retail, healthcare, hotels and food & beverages, and education.

Nevertheless, it is clear that the introduction of VAT has been a challenge for many – and will continue to be a challenge. VAT is a complex tax that requires system and process changes as it affects every single transaction a business makes.

In Saudi Arabia, GAZT (the General Authority for Zakat and Tax) was active from an early stage with spot-checks and hundreds, if not thousands, of non-compliant businesses were fined and penalised. The Bahrain VAT legislation prescribes very severe penalties so businesses need to ensure they are – and remain – compliant.

For more details on any of the issues highlighted above, please contact Mubeen Khadir at mubeen.khadir@keypoint.com.

Regulatory sandbox

Launched in June 2017, the CBB's regulatory sandbox enables FinTech companies – as well as existing CBB licensees – to experiment with innovative concepts and solutions in a controlled testing environment run by the CBB. The sandbox is subject to certain customer uptake and transaction size thresholds.

The CBB allows a testing period of nine months that can be extended by up to three months. During the sandbox period, companies are required to submit monthly progress reports demonstrating progress towards pre-determined milestones. According to the [regulatory sandbox register](#) published on the CBB's website, 26 companies are currently authorised to operate under its framework.



The sandbox has increased the CBB's ability to assess and respond to digital innovations in financial services. New policies – such as open banking and a consultation paper on crypto-asset platform operators – have been a direct result.

For more information on the CBB's regulatory sandbox, please contact Osama Al Alawi at osama.alalawi@keypoint.com or +973 1720 6857.

Changes to the Bahrain Commercial Companies Law (BCCL)

The government of the Kingdom of Bahrain has recently issued a number of amendments to the Bahrain Commercial Companies Law 21 of 2001 (BCCL), as well as issuing additional orders relating to conducting business in the Kingdom of Bahrain. Some of the most significant changes include:

Companies allowed with 100% foreign ownership – Decree 17

Certain business activities which previously could only be carried out by companies with a maximum 49% foreign ownership can now be carried out by companies fully owned by non-GCC shareholders, as long as the Bahrain company is a subsidiary of a parent that:

1. Is present in at least three international markets
2. Has share capital of at least BD20 million (or its equivalent in foreign currency)
3. Invests capital in the Kingdom of Bahrain of at least BD2 million in the first year
4. Is listed in an international financial market

Permissible commercial activities include the trade or sale of:

- Machinery & other equipment
- Paper products
- Industrial products & raw materials
- Food & beverages
- Home furniture
- Motor vehicles, spare parts & accessories
- Household appliances
- Books, magazines & newspapers
- Sporting tools & equipment
- Clothing, footwear & leather items
- Perfumes, cosmetics & other toiletries
- Watches, clocks, and jewellery
- Construction materials, structural steel materials, and plumbing and heating equipment and supplies
- Goods over the internet

A complete list of activities that can be carried out by 100% foreign owned companies can be found [here](#).

Increase in commercial activities fees - Order 93 of 2018

Effective 1 December 2018, the Ministry of Industry, Commerce and Tourism (MOICT) has announced new activity fees, payable when renewing commercial registrations (CRs). CR renewal fees remain at BD50 with an additional BD100 as an activity fee for companies that have up to three (3) business activities.

Businesses with more than three activities will be required to pay BD100 for each additional activity, considerably less than the fees originally proposed which could have seen some companies paying up to BD1,000 for certain activities.

Activity fees - which are charged on top of the BD50 renewal fee - are payable when renewing CRs.

Fines & penalties for violations - Decree 52 of 2018

The MOICT is clamping down on companies that persistently violate the provisions of the BCCL, stipulating fines and penalties including:

1. CR suspension for a period not exceeding six (6) months.
2. Administrative fines calculated on a daily basis of up to BD1,000/day for a first offence and BD2,000/day for a second offence committed within three (3) years - with total fines limited at BD50,000.
3. Administrative fines of up to BD100,000.

Complying with the BCCL should be a priority for all investors as the severity of the penalties could significantly impact profitability.

Where business happens



Audited financial statements for all companies - Decree 53 of 2018

In 2015, the BCCL provided for solvency letters to be issued by external auditors and sent to the MOICT instead of audited financial statements for certain types of companies. Decree 53 removes this option and requires full audited financial statements to be submitted within six (6) months of the financial year end.

Naming condition removed for S.P.C.s

Single person companies (S.P.C.s - traditional limited liability companies with a single shareholder) are no longer required to include the name of the promoter in their commercial name. Registered companies can now change their commercial name to remove the 'owned by' part of the name.

For more details on changes to the BCCL, please contact Mohammed Ashraf at +973 1720 6840 or mohammed.ashraf@keypoint.com.

Crypto-asset platform operators

Crypto-assets – as can be seen from local and international media and 'thinkpieces' – are very much front-of-mind issues for financial institutions, regulators and the wider public. On 13 December 2018, the Central Bank of Bahrain (CBB) issued a consultation paper on crypto-asset platform operators (Module CPO) under Volume 6 (Capital Markets) of the CBB Rulebook, which proposes a regulatory framework to license, regulate and supervise companies offering crypto-asset services, whether as a principal, agent or custodian.

The draft rules pave the way for licensing businesses currently in the CBB's regulatory sandbox, focusing on eligibility criteria for crypto-assets, technology governance and cyber-security, risk management, client protection and requirements for custody service providers.

The CBB has categorised crypto-assets (also referred to as tokens or virtual or digital assets) into four broad categories - payment, utility, asset and hybrid - which is consistent with the approach of other leading financial markets.

The Financial Service Regulatory Authority (FSRA) of the Abu Dhabi Global Market (ADGM) launched its regulatory framework for crypto-asset activities in June 2018, while the international community has been coordinating its approach towards cryptocurrencies in general.



The G20 intends to bring cryptocurrencies under the purview of anti-money laundering (AML) laws and introduce regulations aligned with the updated standards issued by the Financial Action Task Force (FATF).

For more information on open banking, please contact Osama Al Alawi at osama.alalawi@keypoint.com or +973 1720 6857.

Bahrain releases personal data protection law

As mentioned in our October newsletter, the Kingdom of Bahrain issued Law 30 of 2018 (the personal data protection law (PDPL)) on 12 July 2018. The PDPL imposes new obligations on businesses, ensuring any personal data collected is kept secure and used only for the purpose it was collected for. While the PDPL is similar to the European Union's (EU's) general data protection regulation (GDPR), there are some significant differences:

- Data subjects are defined differently
- Data managers are required to obtain written approval from Bahrain's data authority before processing certain types of personal data
- Data breach notification provisions - requiring data managers to notify the data authority or data owner in the event of a breach – are not mandatory
- The PDPL introduces data protection supervisors, who must register with the data authority
- Non-compliant businesses face significant penalties

Businesses operating in Bahrain that have recently implemented a GDPR compliance programme need to pay close attention to the additional obligations in Bahrain's PDPL. The PDPL requires industry-specific governing bodies - such as the Central Bank of Bahrain (CBB) and the Telecommunications Regulatory Authority (TRA) - to issue industry-specific requirements. The TRA issued a public consultation document on 29 November 2018.

We see the PDPL as an important component in Bahrain's 'cloud-first' policy. Migrating the IT systems of government entities to cloud platforms and reducing IT system maintenance overheads are further concrete steps in this process. Strengthening data protection should build confidence in a data-driven digital economy, while emphasising the importance of securing data subjects' interests.

For more information on how to design a road-map towards PDPL compliance, or to better understand how – and where - the PDPL will impact your business, please contact Nishith Saxena at nishith.saxena@keypoint.com or +973 1720 6822.

National Day celebrations



Empower business through technology



Open banking

As part of the Central Bank of Bahrain's (CBB's) programme of initiatives to upgrade its regulatory framework, foster innovation and introduce a level playing field for innovative players in the financial sector, the CBB issued its final rules on open banking on 6 December 2018.

Recommendations from the UK and other mature banking markets suggest that customers should be able to compare banking products and services offered by different market players. The nine largest banks in the UK offer standardised APIs for account information and payment initiation.

Other countries, including Singapore and Hong Kong, have issued open banking standards, although some countries are more prescriptive when describing the technology requirements to be imposed on banks and third parties.

For more information on open banking, please contact Osama Al Alawi at osama.alalawi@keypoint.com or +973 1720 6857.

Seminars

Keypoint's market-leading VAT team has run a number of seminars over the last three months, including:

- a very successful seminar for SMEs (conducted in association with the Bahrain SME Society) and a by-invitation only seminar for Bahrain's exchange companies.
- A presentation to over 1,000 Indian chartered accountants for the Bahrain Chapter of the Institute of Chartered Accountants of India.
- A by-invitation presentation hosted by the Embassy of South Korea to key Korean decision makers
- Presentations to various industry groups on behalf of the Bahrain Chamber of Commerce & Industry (BCCI).

Over the next six weeks, Keypoint will be hosting a seminar on data and the cloud (23 January) in conjunction with a leading Bahrain-based telecoms provider, as well as a series of VAT seminars.

For more details on any of our seminars, please contact Tom Gilbert at +973 1720 6825 or tom.gilbert@keypoint.com.

New joiners



With Bahrain's largest businesses now dealing with the challenges posed by VAT and its staggered implementation, [Tariq Haq](#), previously an indirect tax specialist at Her Majesty's Revenue Commission (the UK tax authority) has joined Keypoint's market-leading VAT team.

'We are delighted to have recruited someone with Tariq's experience and expertise,' commented Mubeen Khadir, Keypoint's head of tax. 'As an indirect tax specialist and data analyst, he has a unique skill set that will help our clients in a number of different ways.' He added that Tariq's experience will help businesses complying with VAT for the first time assess the robustness of their systems, controls and processes. 'Education and communication – the workshops we gave at the BCCI in December are excellent examples - are key factors in the smooth transition to post-implementation 'business as usual'.'

Tariq will work with clients on improving VAT compliance and advise how to prepare for and deal with VAT audits, while also advising on complex VAT matters.

Tariq has also worked in professional services with a 'Big 4' in the UK.

Contact Tariq on tariq.haq@keypoint.com or +973 1720 6480



[Osama Al-Alawi](#) has joined Keypoint from the Central Bank of Bahrain (CBB) where he was – most recently – a team leader with the FinTech & Innovation Unit.

'With Bahrain continuing to establish itself as a regional leader in the FinTech space – and growing international awareness of its capabilities – we wanted to ensure Keypoint was well-placed to lead, not just support, the FinTech space', suggested Srikanth Ranganathan, a senior director who leads Keypoint's IT advisory and financial regulatory compliance (FRC) functions. 'The CBB is increasingly interested in establishing a 'best of breed' FinTech ecosystem and Osama has the skill and the expertise to support that drive.' Osama has been a member of the GCC's FinTech working group, the coordinator of the CBB's regulatory sandbox applications committee and a member of both Bahrain's e-KYC project steering committee and the CBB's digital transformation steering committee.

Osama has a master's degree in public management (MPM) from the Aix-Marseille Université (France) and a BSc in Banking & Finance from Ahlia University (Bahrain). He is a certified anti-money laundering specialist (CAMS), has the international diploma in compliance from the International Compliance Association and has completed the CBB's investment representative programme (series 7).

Contact Osama on osama.alalawi@keypoint.com or +973 1720 6857.

Your business is our priority



Rayan Britto is a highly accredited IT professional who specialises in information security and recently joined Keypoint's IT consulting practice. 'We are delighted to have recruited Rayan as Bahrain moves to cement its position as a leader in the cloud and FinTech space,' said Srikant Ranganathan, a senior director who leads Keypoint's IT advisory and financial regulatory compliance (FRC) functions.

'Neither the cloud nor FinTech is possible without strong, innovative information security solutions and we know that Rayan's expertise is well-matched to the demands of the Bahrain – and wider GCC – markets.'

In India, Rayan advised on the payment card industry data security standard (PCI DSS), the payment application data security standard (PA DSS) and ISO 27001 audits and supported compliance, working closely with Indian and international clients and helping them implement various information security related controls.

Rayan has also worked with leading banks in India on a range of issues, including PCI DSS compliance – including cloud security for hybrid (both cloud and on premises infrastructure) banks and international payment gateways, as well as leading Asian banks. Rayan is recognised as a subject matter expert on PCI DSS, information security management systems, risk management, identity and access management, and VAPT and web application security.

Contact Rayan on rayan.britto@keypoint.com or +973 1710 3499.

Bake sale



Keypoint's social committee organised a bake sale at the NBB Tower on 25 October 2018, with all proceeds going to the Dream Society. The society was established to give joy and happiness to children who are seriously ill and whose parents cannot afford to make their dreams come true.

Wajdi Al Jallad, Keypoint's managing director, said, "It was heart-warming to see not only Keypoint's staff but also other employees working in the NBB Tower coming together and chipping in, organising, helping out and also donating generously." The firm was delighted to donate BD1,000 to the Dream Society - proceeds from the sale as well as a contribution from the office.