

# Newsletter

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## Upcoming events

- **14 October** - VAT seminar for exchange companies  
*by invitation only*
- **24 October** - VAT seminar in conjunction with the Bahrain Chapter of Indian CAs  
*for BCICAI members*



Participants at the VAT seminar for SMEs co-hosted by the Bahrain SME Society.

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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.

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## Bahrain publishes data protection law

In July, Bahrain issued Law 30 of 2018, the personal data protection law (PDPL). The PDPL comes into force on 1 August 2019, giving businesses limited time to prepare for the new regime.

The PDPL gives individuals in Bahrain rights in relation to how their personal data can be collected, processed and stored. It imposes new obligations on how businesses manage data, including ensuring that personal data is processed fairly, that data owners are notified of when their personal data is collected and processed, that personal data they collect is stored securely, and that data owners can exercise their rights directly with businesses.

The PDPL includes a new authority to investigate allegations of violations of the law. The authority can issue orders to stop violations. Compensation for individuals who incur damage as a result of their personal data being violated is included in the law, as well as criminal penalties for violations of certain provisions.



Businesses in Bahrain should pay close attention to new obligations in the PDPL – and also be aware that the PDPL differs in certain aspects from the European Union's GDPR (covered in a previous edition of this newsletter).

For more information on how new data protection laws might affect your business, please contact Nishith Saxena at [nishith.saxena@keypoint.com](mailto:nishith.saxena@keypoint.com) or +973 1720 6822

## VAT developments across the GCC

Bahrain's parliament has voted to implement VAT on 1 January 2019. This will be followed by publication in the Official Gazette.

### VAT alert – Bahrain approves VAT law



The tax authorities in the UAE and Saudi Arabia (GAZT for KSA and the FTA for the UAE), following the implementation of VAT on 1 January 2018, continue to produce a range of materials to help businesses ensure that they charge, account for, report and pay the correct VAT. Businesses in both countries are strongly advised to regularly check the authorities' websites to ensure they have the most recent information.

Meanwhile, governments in Kuwait and Oman continue to say relatively little about implementation – although all the GCC states have signed up to the GCC treaty to implement VAT across the GCC.

For more details on our VAT services, please contact Mubeen Khadir on [mubeen.khadir@keypoint.com](mailto:mubeen.khadir@keypoint.com) or +973 1720 6879.

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## Bahrain introduces new corporate governance code for closed joint stock companies

Until 30 September 2018, a corporate governance code was mandatory only for closed joint stock companies regulated by the Central Bank of Bahrain (CBB) or the Bahrain Bourse. As from 1 October 2018, all Bahraini closed joint stock companies now need to implement a corporate governance code, in accordance with guidelines issued by the Ministry of Industry, Commerce and Tourism (MOICT) under Resolution 19 of 2018.

The corporate governance code requires companies to adopt specific mechanisms for internal governance and specifies board formations, including mandating committees for specific roles. A dedicated corporate governance officer, who is responsible for ensuring compliance with the new code, must register with MOICT.

Company shareholders can monitor how effectively the board has implemented the code through an annual corporate governance report, which must be approved during the AGM as well as financial statements.

Companies that fail to implement any of the principles of the new code must explain that failure to MOICT. Companies that have not yet registered a corporate governance officer with MOICT should make this a priority. The new corporate governance code does not yet impact limited liability companies or single person companies.

If you have questions about the new corporate governance code – including how it will impact your company - please contact Mohammed Ashraf at [mohammed.ashraf@keypoint.com](mailto:mohammed.ashraf@keypoint.com) or +973 1720 6840

## Owners' associations for joint properties

As part of the Bahrain government's initiative to regulate the real estate sector and following Law. 27 of 2017 establishing the Real Estate Regulatory Authority (RERA), Resolution No. 7 of 2018 came into effect on 26 September 2018 providing a detailed framework for the creation and management of owners' associations for joint properties. Unit owners and developers of buildings with common areas - which has often been taken to mean apartment buildings but also includes villa developments with shared facilities - are required to comply with the regulations, even if the joint property was completed before the law came into effect.



RERA has published the [guide](#) on its website. We would encourage real estate developers and units owners with shared or common areas to download and read it.

If you have any questions regarding homeowners' associations or other real estate matters, please contact Rami Al Jallad at [rami.aljallad@keypoint.com](mailto:rami.aljallad@keypoint.com) or +973 1720 6160.

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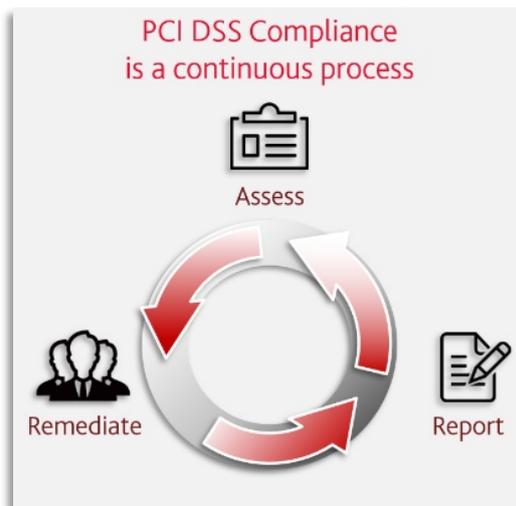
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## What is the PCI DSS?

The payment card industry's (PCI's) security standards council (SSC) manages security standards for the payment card industry. The SSC has established a PCI data security standard (DSS) which covers the technical and operational aspects of managing security for cardholder data.

The PCI DSS applies to all entities that store, process or transmit cardholder data. The current version of PCI DSS - 3.2.1 released in May 2018 - has 12 requirements based on six objectives. Any business that stores, processes or transmits any cardholder data must comply with all the standard requirements.



## Why comply with the PCI DSS?

- International organized crime groups are increasingly targeting merchants and their payment channels, leading to significant financial and reputational losses
- The PCI SSC can impose non-compliance penalties including fines, the termination of the ability to accept payment cards and legal costs
- The Central Bank of Bahrain (CBB) mandates compliance with PCI DSS – any non-compliance could result in hefty penalties

## Are you an affected business?

The PCI SSC has defined the types of entities which should be PCI DSS-compliant, including:

**Merchants** – any organisation which accepts card-based payments (through devices or online)

**Processors** – any organisation which processes card data

**Banks** – and other institutions that issue or process card data

**Point of sale (POS) vendors** – The providers of POS devices require businesses using their devices to comply with the DSS



## What should you do?

If you are a business expected to comply with the DSS but are not yet PCI DSS-compliant, start preparing now. Assess your current status against the standard. If you identify gaps in your current system, a sensible next step would be to fix any gaps. Once remedied, report your status to the regulators. If you are PCI DSS-certified, ensure:

- Your organisation has implemented PCI DSS v3.2.1
- Mandatory continuous activities are performed on time
- Reports are submitted on time

## How can Keypoint help?

Keypoint's IT consulting function has an experienced team which has implemented PCI DSS for organisations across MENA. Our consultants are always ready to meet you and your team and share our experience and expertise. Contact us today to set up a preliminary discussion.

For more information please contact Srikant Ranganathan at [srikant.Ranganathan@keypoint.com](mailto:srikant.Ranganathan@keypoint.com) or +973 1720 6827

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## Co-trustees – with lighter regulations - now allowed for Bahrain trusts

Bahrain trusts can now have co-trustees (Category B) with reduced licensing and regulatory compliance requirements.

Under Order 33, a Bahrain-incorporated company can be appointed as a co-trustee provided it is managed by a board of directors whose members meet the CBB's normal requirements for approved persons. Category B trustees are subject to lighter CBB regulations – but can only act as co-trustees in conjunction with a Category A trustee and can only act with a maximum of four trusts.



Family trusts can now include one or more family members as co-trustees to oversee the management of trust properties and the distribution of benefits. Trusts can also own assets outside Bahrain through the co-trustee - which otherwise might not be possible.

The changes are likely to increase the attractiveness of Bahrain as a trust jurisdiction and is an important part of the kingdom's drive to establish itself as a regional and global centre of excellence for conventional and *shari'a*-compliant trusts.

For more information please contact Nandakumar Narasimhan at [nandakumar.narasimhan@keypoint.com](mailto:nandakumar.narasimhan@keypoint.com) or +973 1720 6860

## MENAFATF releases Bahrain mutual evaluation report (MER)

Bahrain's mutual evaluation report, published in September 2018, analyses Bahrain's compliance with the FATF 40 recommendations, the level of its AMLCFT effectiveness and how AMLCFT measures might be strengthened. The measures have been assessed by an FATF team that held extensive discussions with all stakeholders, including financial institutions.

Highlights of the report include:

- Bahrain's level of understanding of its AML and CFT risks is rated as 'moderate'.
- Bahrain National Policy Committee is currently leading an inaugural comprehensive National AMLCFT risk assessment.
- Bahrain should use its national risk assessment findings to further strengthen its AMLCFT environment.
- Bahrain has strong domestic coordination and related intelligence is rapidly exchanged.
- Financial institutions (FIs) immediately implement AMLCFT measures.
- The AMLCFT framework for designated non-financial businesses or professions (DNFBPs) needs further understanding and enhancement.
- Whilst FIs have robust mitigating measures, beneficial ownership obligations need to be improved.
- Bahrain has strong controls to prevent criminals from beneficially owning significant or controlling interests in FIs.

The exhaustive (227 pages) report gives readers an in-depth assessment of current AML programmes in Bahrain.

For more information please contact Dr Mukund Ballal at [mukund.ballal@keypoint.com](mailto:mukund.ballal@keypoint.com) or +973 1720 6813

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## AML risk assessment at national and institutional levels

As a FATF participant, Bahrain has been evaluating money laundering/terrorist financing (ML/TF) risks at a national level. The FATF's mutual evaluation report (MER), issued recently, has assessed Bahrain's national risk level. The Central Bank of Bahrain initiated the process in 2017, issuing a comprehensive questionnaire to obtain risk-specific information on licensees' exposure to ML/TF risk and their overall AML-CFT compliance frameworks. The CBB'S Rulebook requires that 'licensees take appropriate steps to identify assess their money laundering and terrorist financing risks (for customers, countries or geographic areas, and products, services, transactions or delivery channels).'

Assessing AML risk involves a detailed examination of - among other areas - enterprise-level structures, entities, products, customer types, delivery channels and geographic spread and assigning a risk score to each parameter. A model can then be developed which identifies risk, assigns risk ratings, analyses risk mitigation measures and measures AML risk at an enterprise level.

Benefits of assessing AML risk include:

- Compliance is enhanced
- FIs better understand their AML risks
- Gaps in AML policies, procedures and processes can be identified
- Decision-making on risk appetite, control efforts and resources can be improved
- AML programmes are better aligned with risk profiles
- AML risks, control gaps and remediation efforts are better understood
- Strategic decision-making, such as commercial exits or other de-risking efforts, is strengthened

For more information please contact Dr Mukund Ballal at [mukund.ballal@keypoint.com](mailto:mukund.ballal@keypoint.com) or +973 1720 6813

## Our interview skills programme

Many managers report that interviewing can be one of the most stressful parts of their jobs, not least because the consequence of making the wrong decision can be expensive, long-lasting and difficult to correct. Keypoint's human capital function has developed a short, focused interview programme – aimed at line managers – that is designed to ensure that interviews are more successful, less stressful and more likely to deliver the right result – the right candidate for the right job.

Interviews should assess candidates' strengths, weaknesses and potential for a specific job. A good interview is one where the candidate feels fairly treated by the organisation and the interviewer learns more about a candidate's strengths and weaknesses.

Our interview programme is designed to improve the interview process, giving interviewers more confidence in the process and making it more likely that interviews will lead to correct hiring decisions. The half-day workshops – with a maximum of 12 participants – are conducted onsite at the client's premises.

For more details on our interview programme, please contact Arpita Mhatre on [arpita.mhatre@keypoint.com](mailto:arpita.mhatre@keypoint.com) or +973 1720 6830.

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## CBB's consultation paper on compliance

In August, the Central Bank of Bahrain (CBB) issued a consultation document on compliance functions in banks, as it prepares to amend section HC-6.4 of Volumes 1 and 2 of its Rulebook.

The amendments are available on the "open consultation" section of the CBB website. The amendments are significant and will significantly enhance the role and responsibilities of compliance officers.

Among major changes is the submission of an annual compliance report to the CBB and a compliance review for any material communication with the CBB. After the consultation process closes, the Rulebook will be amended.

For more information please contact Dr Mukund Ballal at [mukund.ballal@keypoint.com](mailto:mukund.ballal@keypoint.com) or +973 1720 6813

## FATCA: Keep your FATCA registration up-to-date

The US Internal Revenue Service (IRS) has reiterated that FATCA-registered entities are responsible for updating and ensuring the accuracy of the names and contact details of responsible officers (ROs) and points of contact (POCs).

The information is needed to communicate with entities for various reasons related to FATCA compliance. IRS notifications are normally sent to the registration system message board and the registered email address for the RO.

For more information please contact Dr Mukund Ballal at [mukund.ballal@keypoint.com](mailto:mukund.ballal@keypoint.com) or +973 1720 6813

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## Our internship programme

As a Bahraini business, Keypoint has always made a conscious effort to transfer in-house expertise to young graduates. We support a number of Bahrain's leading universities, including the University of Bahrain, by offering their students internships with our range of service lines. Our professional staff then mentor them during their internships – which can last from one month to up to three months.

Our aim has always been to provide positive and fruitful internships, offering a realistic awareness of how a professional establishment operates and how our professionals add value. Interns on our mentored programmes are not only provided with technical know-how and in-depth operational knowledge but are also given an opportunity to sharpen their interpersonal skills and capabilities, as well as starting the process of converting theoretical, classroom-learned knowledge into value-adds in the business world.

Several interns have, after graduation, returned to Keypoint as employees.

Wajdi Al Jallad, Keypoint's managing director, says that our internship programme is an important part of our corporate social responsibility. "Keypoint's internship programme offers interns the opportunity to supplement classroom learning with on-the-job training experience, giving excellent exposure to various aspects of consulting work, interaction with our professional staff and a feel for working in an office environment. We are delighted to see the calibre of graduates increasing on an annual basis and look forward to continuing to support Bahraini human capital."

