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OF INFORMATION FOR TAX PURPOSES

Peer Review Report on the Exchange of Information
on Request

BAHRAIN

2018 (Second Round)



Global Forum on Transparency and Exchange of Information for Tax Purposes: Bahrain 2018 (Second Round)

PEER REVIEW REPORT ON THE EXCHANGE
OF INFORMATION ON REQUEST

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as at July 2018)

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Reader's guide

The Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) is the multilateral framework within which work in the area of tax transparency and exchange of information is carried out by over 150 jurisdictions that participate in the Global Forum on an equal footing. The Global Forum is charged with the in-depth monitoring and peer review of the implementation of the international standards of transparency and exchange of information for tax purposes (both on request and automatic). Sources of the Exchange of Information on Request standards and Methodology for the peer reviews

Sources of the Exchange of Information on Request standards and Methodology for the peer reviews

The international standard of exchange of information on request (EOIR) is primarily reflected in the 2002 OECD Model Agreement on Exchange of Information on Tax Matters and its commentary, Article 26 of the OECD Model Tax Convention on Income and on Capital and its commentary and Article 26 of the United Nations Model Double Taxation Convention between Developed and Developing Countries and its commentary. The EOIR standard provides for exchange on request of information foreseeably relevant for carrying out the provisions of the applicable instrument or to the administration or enforcement of the domestic tax laws of a requesting jurisdiction. Fishing expeditions are not authorised but all foreseeably relevant information must be provided, including ownership, accounting and banking information.

All Global Forum members, as well as non-members that are relevant to the Global Forum's work, are assessed through a peer review process for their implementation of the EOIR standard as set out in the 2016 Terms of Reference (ToR), which break down the standard into 10 essential elements under three categories: (A) availability of ownership, accounting and banking information; (B) access to information by the competent authority; and (C) exchanging information.

The assessment results in recommendations for improvements where appropriate and an overall rating of the jurisdiction's compliance with the EOIR standard based on:

1. the implementation of the EOIR standard in the legal and regulatory framework, with each of the element of the standard determined to be either (i) in place, (ii) in place but certain aspects need improvement, or (iii) not in place.
2. the implementation of that framework in practice with each element being rated (i) compliant, (ii) largely compliant, (iii) partially compliant, or (iv) non-compliant.

The response of the assessed jurisdiction to the report is available in an annex. Reviewed jurisdictions are expected to address any recommendations made, and progress is monitored by the Global Forum.

A first round of reviews was conducted over 2010-16. The Global Forum started a second round of reviews in 2016 based on enhanced Terms of Reference, which notably include new principles agreed in the 2012 update to Article 26 of the OECD Model Tax Convention and its commentary, the availability of and access to beneficial ownership information, and completeness and quality of outgoing EOI requests. Clarifications were also made on a few other aspects of the pre-existing Terms of Reference (on foreign companies, record keeping periods, etc.).

Whereas the first round of reviews was generally conducted in two phases for assessing the legal and regulatory framework (Phase 1) and EOIR in practice (Phase 2), the second round of reviews combine both assessment phases into a single review. For the sake of brevity, on those topics where there has not been any material change in the assessed jurisdictions or in the requirements of the Terms of Reference since the first round, the second round review does not repeat the analysis already conducted. Instead, it summarises the conclusions and includes cross-references to the analysis in the previous report(s). Information on the Methodology used for this review is set out in Annex 3 to this report.

Consideration of the Financial Action Task Force Evaluations and Ratings

The Financial Action Task Force (FATF) evaluates jurisdictions for compliance with anti-money laundering and combating terrorist financing (AML/CFT) standards. Its reviews are based on a jurisdiction's compliance with 40 different technical recommendations and the effectiveness regarding 11 immediate outcomes, which cover a broad array of money-laundering issues.

The definition of beneficial owner included in the 2012 FATF standards has been incorporated into elements A.1, A.3 and B.1 of the 2016 ToR. The 2016 ToR also recognises that FATF materials can be relevant for carrying out EOIR assessments to the extent they deal with the definition of beneficial ownership, as the FATF definition is used in the 2016 ToR (see 2016 ToR, annex 1, part I.D). It is also noted that the purpose for which the FATF materials have been produced (combating money-laundering and terrorist financing) is different from the purpose of the EOIR standard (ensuring effective exchange of information for tax purposes), and care should be taken to ensure that assessments under the ToR do not evaluate issues that are outside the scope of the Global Forum's mandate.

While on a case-by-case basis an EOIR assessment may take into account some of the findings made by the FATF, the Global Forum recognises that the evaluations of the FATF cover issues that are not relevant for the purposes of ensuring effective exchange of information on beneficial ownership for tax purposes. In addition, EOIR assessments may find that deficiencies identified by the FATF do not have an impact on the availability of beneficial ownership information for tax purposes; for example, because mechanisms other than those that are relevant for AML/CFT purposes exist within that jurisdiction to ensure that beneficial ownership information is available for tax purposes.

These differences in the scope of reviews and in the approach used may result in differing conclusions and ratings.

More information

All reports are published once adopted by the Global Forum. For more information on the work of the Global Forum on Transparency and Exchange of Information for Tax Purposes, and for copies of the published reports, please refer to www.oecd.org/tax/transparency and <http://dx.doi.org/10.1787/2219469x>.

Abbreviations and acronyms

2010 Terms of Reference	Terms of Reference related to EOIR, as approved by the Global Forum in 2010.
2016 Assessment Criteria Note	Assessment Criteria Note, as approved by the Global Forum on 29-30 October 2015.
2016 Methodology	2016 Methodology for peer reviews and non-member reviews, as approved by the Global Forum on 29-30 October 2015.
2016 Terms of Reference	Terms of Reference related to EOIR, as approved by the Global Forum on 29-30 October 2015.
AEOI	Automatic Exchange of Information
AML	Anti-Money Laundering
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
BCA	Bahrain Competent Authority
CBB	Central Bank of Bahrain
CCL	Commercial Companies Law
CDD	Customer Due Diligence
CIO	Central Informatics Organization
CL	Commercial Law
CRL	Commercial Registry Law
CRS	Common Reporting Standard
DTC	Double Tax Convention
EOIR	Exchange Of Information on Request
ETD	Enterprise Tax Directorate

FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FERD	Foreign Economic Relations Directorate
FID	Financial Intelligence Directorate
Global Forum	Global Forum on Transparency and Exchange of Information for Tax Purposes
IGA	Information and eGovernment Authority
ILP	Investment Limited Partnership
ITL	Income Tax Law (Amiri Decree No. 22 of 1979)
LAO	Legal Affairs Office
LLOC	Legislative and Legal Opinion Commission
MOF	Ministry of Finance
MOI	Ministry of Interior
MOJ	Ministry of Justice
MOICT	Ministry of Industry Commerce and Tourism
Multilateral Convention	Convention on Mutual Administrative Assistance in Tax Matters, as amended in 2010
PCC	Protected Cell Company
PRG	Peer Review Group of the Global Forum
Sijilat	The Ministry of Industry Commerce and Tourism’s business licensing system
TIEA	Tax Information Exchange Agreement

Executive summary

1. This second round report analyses the implementation by Bahrain of the standard of transparency and exchange of information on request for tax purposes against the 2016 Terms of Reference. This includes an assessment of its legal framework, as well as its operation in practice as concerns the handling of EOI requests received during the period of 1 July 2014 to 30 June 2017. This second round report concludes that Bahrain is rated Compliant overall. In 2013, the Global Forum similarly evaluated Bahrain against the 2010 Terms of Reference and assigned an overall rating of Largely Compliant.

2. The following table shows the comparison of results from the first and the second round review of Bahrain’s implementation of the EOIR standard:

Comparison of ratings for First Round Report and Second Round Report

Element	First Round Report (2013)	Second Round EOIR Report (2018)
A.1 Availability of ownership and identity information	LC	LC
A.2 Availability of accounting information	PC	C
A.3 Availability of banking information	C	C
B.1 Access to information	LC	C
B.2 Rights and Safeguards	C	C
C.1 EOIR Mechanisms	C	C
C.2 Network of EOIR Mechanisms	C	C
C.3 Confidentiality	C	C
C.4 Rights and safeguards	C	C
C.5 Quality and timeliness of responses	LC	C
OVERALL RATING	LC	C

C = Compliant; LC = Largely Compliant; PC = Partially Compliant; NC = Non-Compliant

Progress made since previous review

3. The major issues identified in the Phase 2 report published in November 2013 related to: the availability of current ownership information in respect of foreign companies and supervision of trustees to ensure ownership information for trusts (element A.1); the availability of accounting information and underlying documentation for financial trusts and enforcement of such record-keeping for partnerships and foreign entities (element A.2); lack of guidelines for accessing bank information and lack of statutory authority for determining foreseeable relevance (element B.1); and untested organisational procedures for handling EOI requests (element C.5). All other elements were considered Compliant with the standard.

4. Since the last review, Bahrain has addressed these recommendations by: requiring foreign companies to submit updated ownership information and supervising trustees; requiring foreign companies to submit audited financial statements and introducing a new trusts law with express obligation for trustees to maintain requisite accounting records; working to renegotiate or add protocols to existing DTCs to bring them in line with the standard; and beginning to exchange information with treaty partners using the organisational procedures put in place. Most of these changes are sufficient to fully remove prior recommendations.

Key recommendations

5. As noted above, Bahrain has largely addressed the recommendations in respect of the availability of legal ownership information. However, the 2016 Terms of Reference contain additional requirements in respect of the availability of beneficial ownership information. Beneficial ownership information is generally collected by a government agency at the time of an entity's creation or registration and updated (either from a triggering event or an annual filing), and AML-obligated institutions (generally banks or auditors) will also hold beneficial ownership information regarding the legal entity or arrangement.

6. The key issue raised by this report relates to the availability of beneficial ownership information, particularly regarding partnerships (element A.1).

EOI Practice

7. During the review period, Bahrain received 15 requests from five treaty partners and did not send any requests. Status updates were provided in most cases not receiving a complete response in 90 days. Bahrain provided complete responses to partner EOI requests in all cases (100%) within

180 days of receipt. In only one case was it unable to obtain and provide data pursuant to a treaty partner's request, because at that time the law did not require the record holder to maintain it. Peer input has been positive regarding Bahrain's EOI practice.

Overall Rating

8. Bahrain has achieved a rating of Compliant for nine elements (A.2, A.3, B.1, B.2, C.1, C.2, C.3, C.4, C.5), and Largely Compliant for one element (A.1). Bahrain's overall rating is Compliant based on a global consideration of its compliance with the individual elements.

9. This report was approved at the PRG meeting on 10-13 September 2018 and was adopted by the Global Forum on 12 October 2018. A follow up report on the steps undertaken by Bahrain to address the recommendations in this report should be provided to the PRG no later than 30 June 2019 and thereafter in accordance with the procedure set out under the 2016 Methodology.

Summary of determinations, ratings and recommendations

Determination	Factors underlying recommendations	Recommendations
Jurisdictions should ensure that ownership and identity information, including information on legal and beneficial owners, for all relevant entities and arrangements is available to their competent authorities (<i>ToR A.1</i>)		
<p>The legal and regulatory framework determination is in place, but certain aspects need improvement.</p>	<p>Beneficial ownership information for partnerships may not be available in all cases because the commercial register does not necessarily capture the exercise of control through means other than shareholding. For all other legal entities and arrangements this gap is remedied by the requirement to have a local bank account, ensuring that AML-compliant CDD is conducted; but there is no requirement for partnerships to maintain a local bank account that would ensure up-to-date beneficial ownership information is captured through CDD.</p>	<p>Bahrain should ensure that beneficial ownership information for all relevant entities, including partnerships, is available and up-to-date.</p>

Determination	Factors underlying recommendations	Recommendations
EOIR rating: Largely Compliant		
Jurisdictions should ensure that reliable accounting records are kept for all relevant entities and arrangements (<i>ToR A.2</i>)		
The legal and regulatory framework determination is in place.		
EOIR rating: Compliant		
Banking information and beneficial ownership information should be available for all account-holders (<i>ToR A.3</i>)		
The legal and regulatory framework determination is in place.		
EOIR rating: Compliant		
Competent authorities should have the power to obtain and provide information that is the subject of a request under an exchange of information arrangement from any person within their territorial jurisdiction who is in possession or control of such information (irrespective of any legal obligation on such person to maintain the secrecy of the information) (<i>ToR B.1</i>)		
The legal and regulatory framework determination is in place.		
EOIR rating: Compliant		
The rights and safeguards (e.g. notification, appeal rights) that apply to persons in the requested jurisdiction should be compatible with effective exchange of information (<i>ToR B.2</i>)		
The legal and regulatory framework determination is in place.		
EOIR rating: Compliant		
Exchange of information mechanisms should provide for effective exchange of information (<i>ToR C.1</i>)		

Determination	Factors underlying recommendations	Recommendations
The legal and regulatory framework determination is in place.		
EOIR rating: Compliant		
The jurisdiction's network of information exchange mechanisms should cover all relevant partners (<i>ToR C.2</i>)		
The legal and regulatory framework determination is in place.		
EOIR rating: Compliant		
The jurisdiction's mechanisms for exchange of information should have adequate provisions to ensure the confidentiality of information received (<i>ToR C.3</i>)		
The legal and regulatory framework determination is in place.		
EOIR rating: Compliant		
The exchange of information mechanisms should respect the rights and safeguards of taxpayers and third parties (<i>ToR C.4</i>)		
The legal and regulatory framework determination is in place.		
EOIR rating: Compliant		
The jurisdiction should request and provide information under its network of agreements in an effective manner (<i>ToR C.5</i>)		
Legal and regulatory framework determination:	This element involves issues of practice. Accordingly no determination on the legal and regulatory framework has been made.	
EOIR rating: Compliant		

Overview of Bahrain

10. This overview provides some basic information about Bahrain that serves as context for understanding the analysis in the main body of the report and is not intended to be a comprehensive overview of Bahrain's legal, commercial or regulatory systems. Additional background information can be found in the 2013 Phase 2 report.

Governance and legal system

11. The Kingdom of Bahrain is a Constitutional Monarchy ruled by the Al Khalifa royal family; as a unitary state, it relies upon a single national law. The Constitution provides that Islamic Shari'a is a main source for legislation, but some commercial laws are frequently based on civil law with influence from common law in certain areas (such as statutory interpretation and commercial practices).

12. The Legislature (National Assembly) is composed of two councils: the elected Council of Deputies (Majlis al-Nuw-wab) and the appointed Consultative Council (Majils al-Shura). The King of Bahrain appoints a Council of Ministers, which act as the government. Draft laws must be approved by the legislature, ratified by the King, and then published in the Official Gazette.

13. Secondary legislation may be issued by Ministers under the authority of laws or Royal decrees; these ministerial orders must also be published in the Official Gazette. Ministers may issue internal by-laws or circulars governing the conduct and practices of their individual ministries provided they are given in writing and signed. The recognised hierarchy of laws (from highest to lowest) is: the Constitution and National Action Charter; international Agreements; laws and Decrees of law; Royal Orders; Royal Decrees; Decrees; Ministerial Orders; and Circulars.

Financial sector

14. The financial sector is regulated by the Central Bank of Bahrain (CBB) pursuant to the powers granted to it by the Central Bank of Bahrain and Financial Institutions Law No. (64) of 2006 (CBB Law) as amended. The CBB issues various regulations, resolutions, and directives, which along with the CBB Law constitute the legal framework for authorising and supervising licensees and regulating the financial sector.

15. Bahrain has emerged as a regional financial centre. This has been essential to the development of its economy, and the financial sector has come to play a significant role in economic activity and employment creation. The financial services sector accounted for 16.5% of real GDP in 2016 and 16.6% as of Q3 2017, being the largest non-oil contributor to GDP.

16. As of December 2017, there were a total of 393 banks and financial institutions regulated by the CBB. The banking sector in Bahrain was made up of 101 banks, categorised as:

- 29 retail banks (including 6 Islamic retail banks): 13 locally incorporated and 16 foreign bank branches
- 72 wholesale banks (including 17 Islamic wholesale banks): 30 locally incorporated and 42 foreign bank branches.

There were also 292 non-banking financial institutions operating in Bahrain, including investment business firms, insurance companies, representative offices for conventional banks, and specialised licensees. The total size of Bahrain's banking sector was USD 188.7 billion in assets in November 2017.

Tax system

17. Bahrain has only a limited taxation system of income tax imposed on companies operating in the oil and gas sector. The Bahraini income tax is governed by the Amiri Decree No. 22 of 1979 (ITL 1979), which covers entities carrying out exploration, production, or refining activities for oil and gas in Bahrain regardless of where established. In 2017, there were fewer than a dozen taxpayers subject to income tax.

18. ITL 1979 imposes a 46% income tax on net profits derived from selling crude oil or other natural hydrocarbons produced from the ground in Bahrain, or selling crude oil or natural hydrocarbon products that are finished or semi-finished in Bahrain.

19. There are no withholding taxes, income tax on individuals, or estate or gift taxes in Bahrain. There is also no VAT or other sales tax, except a levy on gasoline and a levy on the use of hotel facilities. Municipalities also levy a tax on the value of immovable properties.

20. The MOF is still considering the possibility of introducing a more comprehensive tax system, looking to see what tax developments occur within other Gulf Cooperation Council member jurisdictions.

AML Framework

21. In 2001 Bahrain issued Decree Law No. 4 with respect to preventing and prohibiting money laundering and terrorism financing (AML 2001). In part, the AML 2001 obligates covered institutions to report on suspicious transactions and know the identity of customers (and their beneficiaries).

22. The list of institutions (whether individual, corporate or constituting another form of legal entity) subject to AML 2001 is very broad, covering institutions engaged in: lending; finance leasing; money transmission services; financial trading; share underwriting; investments; deposits; insurance; real estate transactions; financial intermediaries; legal practice; and audit and accountancy.

23. The CBB has supervisory authority over many aspects of the AML 2001 and relevant administrative rules. Section 4.5 of AML 2001 vests CBB with authority to issue procedures governing how institutions must establish the identity of customers and beneficial owners, and verify that identity. Consequently, the CBB has issued a series of rulebooks governing the responsibilities of each type of licensee. The Financial Crime (FC) volumes adopted by the CBB establish procedures licensees must adhere to when establishing and verifying the identity of new or existing customers.

24. Module FC-1 sets out the customer due diligence (CDD) requirements that licensees must follow when: establishing business relations with new or existing customers; a change to the signatory or beneficiary of an existing account occurs; a significant transaction takes place; there is a material change in how the relationship is conducted; the licensee has doubts about the veracity or adequacy of previously provided CDD; and when carrying out one-off or occasional transactions above BHD 6 000 (approximately USD 16 000).

25. When a licensee is dealing with a legal entity or legal arrangement as a customer, FC-1.2.7 requires the licensee to obtain a range of customer information, including the entity's name, registration number, legal form, registered address, incorporation documents, names of senior managers, and source of funds.

26. FC-1.2.8A further requires licensees to identify and take reasonable measures to verify the identity of beneficial owners. Identification of beneficial owners follows a cascading test – licensees should identify natural persons who:

- ultimately have a controlling ownership interest in the legal entity

- if there is doubt as to controlling ownership interest, then the natural person who exerts control of the legal entity or arrangement through other means
- if no natural person is identified under the previous steps, then a licensee must identify the natural persons who are senior managing officials.

27. A specific CDD procedure is outlined for trusts and similar arrangements. FC-1.2.11 requires licensees to establish the identity of the settlor(s), trustee(s), and beneficiaries.

28. The CBB has adopted a definition of beneficial owner as follows:

Refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. This definition should also apply to “Ultimate beneficial ownership.

29. Licensees are also prohibited from establishing or keeping anonymous accounts, including accounts set up in a fictitious name. Licensees are required to affirmatively ask each customer to confirm whether or not the customer is acting on their own behalf or not. Where the licensee maintains a nominee account, the identity of the individual(s) on whose behalf the nominee acts – including the beneficial owners – must be disclosed and verified by the licensee. In addition, the presence of a nominee will require a financial institution to follow enhanced CDD procedures. If any reasonable grounds exist for a licensee to question the authenticity of customer information, it must conduct additional CDD to resolve any doubt as to identity.

30. FC-2 requires licensees to ensure that CDD information is kept up-to-date and relevant. Licensees must review and update CDD records at least every three years (particularly for higher risk customers); during a review, the licensee must obtain updated copies of identification documents that are more than 12 months out of date.

31. A licensee must keep a copy of the evidence used to identify and verify a client’s identity for at least five years from the end of the customer relationship, or at least five years from the end of a transaction (Article 5).

32. In addition, the CBB possesses authority to impose a penalty up to BHD 100 000 (approximately USD 265 000) on a licensee for failure to fully comply with the FC Module or any CBB directive.

33. Under certain circumstances, a licensee may accept introduced business if the introducer is subject to FATF-equivalent CDD measures, although the licensee remains solely responsible for meeting all CBB rules regarding CDD (see FC-1.9).

34. Other agencies also have a role in supervising AML conduct. In Order No. 173 of 2017, the MOICT expanded AML obligations to auditors registered in the commercial register or audit registry. Consequently, registered auditors are required, in the course of taking on new clients or interacting with existing customers, to identify and verify the identity of the client (Article 5), and must establish the ultimate beneficial owner for new customers (or identify the beneficial owner for existing customers if enhanced due diligence procedures apply). The registered auditor must also maintain client identity and beneficiary information regarding any transactions carried out on behalf of the customer.

35. Under AML 2001 (Article 4.4), the Ministry of Interior's Financial Intelligence Directorate (FID) is responsible for receiving AML reports from covered institutions, conducting investigations, and providing international co-operation. The FID has broad investigatory powers and is specifically empowered to exchange information with foreign competent authorities relating to money laundering and terrorism financing investigations (Article 9).

Supervision

36. As noted in the 2013 report (paragraphs 125-127), the CBB has in place a supervisory programme to determine compliance with the AML 2001. All banks and other CBB licensees are subject to an annual off-site inspection. The CBB uses a risk-based approach in formulating an annual inspection plan for licensees to determine on-site visits, which is approved by the CBB Governor. The Compliance Directorate is responsible for conducting extensive financial crime inspections (largely focused on AML), while the Inspection Directorate more broadly reviews compliance with all CBB Rulebook modules.

37. On average, the Inspection Directorate conducts around 50 inspections of licensees each year, and forwards its findings to the specific CBB directorate that supervises a licensee (e.g. retail banking) for further appropriate action. During the review period, the CBB supervisory directorates issued 25 administrative notices and 96 financial penalties. The Compliance Directorate also conducts on-site examinations of banks and non-bank financial institutions (NBFIs) for AML/CFT compliance. Between 2014 and 2017, the Compliance Directorate's examinations led to one licensee being put under CBB administration and two fines.

38. Currently, most AML-obligated institutions are supervised by the CBB, such as banks and NBFIs. Auditors are supervised by the MOICT with ongoing supervision of the quality and accuracy of audited financials; violations of applicable rules can lead to sanctions ranging from warning to deletion from the audit registry. Lawyers are supervised by the MOJ, but active supervision typically only occurs when a complaint is received against a lawyer.

FATF Review

39. The most recent FATF assessment on AML/CFT is the Mutual Evaluation Report (MER) Bahrain 2018 adopted by the FATF at its June 2018 plenary. In this report, Bahrain received a largely compliant rating on Recommendation 10 regarding CDD of financial institutions and a compliant rating for Recommendation 17 on Introduced Business. Recommendation 22 on DNFBPs (Designated Non-Financial Businesses Professions) was rated partially compliant due to determined deficiencies regarding identification and verification of beneficial owners and the timing of CDD measures in certain instances. Recommendations 24 and 25 were both rated largely compliant.

Part A. Availability of information

40. Sections A.1, A.2 and A.3 evaluate the availability of ownership and identity information for relevant entities and arrangements, the availability of accounting information and the availability of bank information.

A.1. Legal and beneficial ownership and identity information

Jurisdictions should ensure that legal and beneficial ownership and identity information for all relevant entities and arrangements is available to their competent authorities.

41. In the 2013 Phase 2 report, the Global Forum made two recommendations regarding the availability of ownership information in element A.1. The first recommendation was for Bahrain to ensure that up-to-date ownership information is available on all foreign companies having their head offices or headquarters in Bahrain. A second recommendation was for Bahrain to ensure that trustees of financial trusts adequately maintain identity information.

42. Bahrain has taken steps to address these recommendations. A foreign company must now provide copies of its head office's incorporation documents and provide notification of any changes in legal ownership. Bahrain also subjected all licensed trust service providers to on-site inspections in 2015 and found no major violations with record-keeping requirements. Importantly, Bahrain also implemented a new trust law that abolished the prior regime and makes available beneficial ownership information for domestic trusts. Although foreign trusts are not required to register with Bahraini authorities, a resident trustee of a foreign trust is obligated to maintain beneficial ownership information.

43. Not discussed in the 2013 report, but now an integral part of the 2016 ToR, is availability of beneficial ownership information. This section analyses the legal framework and practice in Bahrain regarding beneficial ownership.

44. The updated table of determinations and ratings is as follows:

Legal and Regulatory Framework		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of the legal and regulatory framework	Beneficial ownership information for partnerships may not be available in all cases because the commercial register does not necessarily capture the exercise of control through means other than shareholding. For all other legal entities and arrangements this gap is remedied by the requirement to have a local bank account, ensuring that AML-compliant CDD is conducted; but there is no requirement for partnerships to maintain a local bank account that would ensure up-to-date beneficial ownership information is captured through CDD.	Bahrain should ensure that beneficial ownership information for all relevant entities, including partnerships, is available and up-to-date.
Determination: In place, but certain aspects need improvement		
Practical Implementation of the standard		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of EOIR in practice		
Rating: Largely Compliant		

45. The identification and verification of legal owners in Bahrain primarily occurs from such information being obtained by government agencies through the registration and reporting process, as well as from AML-obligated institutions. Beneficial ownership information in Bahrain is primarily collected pursuant to the AML law, although some beneficial ownership information is also obtained through the commercial registration process.

Commercial registration process

46. As explained in the 2013 report (paragraphs 47-48), all entities or arrangements in Bahrain with juridical personality separate from their individual owners must be registered in order to operate. For companies and partnerships created under CCL 2001 (shareholding companies, commandite by shares, limited liability companies, single person companies, holding companies, general partnerships, and simple commandites), the registration process will involve the MOICT and Commercial Register. For CBB licensees, including domestic trusts, protected cell companies (PCC), and investment limited partnerships (ILPs), the registration process will involve the CBB (and in certain cases the Commercial Register as well).

47. For CCL 2001 entities a first step is creating a memorandum and articles of association, which set out important elements of the company, including:

- name, address, objective, headquarters
- owners' names, addresses, and nationalities
- stated capital and each owner's capital interest
- company managers and authorised signatories
- incorporation date and term (if any)
- beginning and end of financial year.

The memorandum must be signed by a Notary Public, as well as any amendments. Notaries are now subject to AML 2001 requirements.

48. All registrations with the MOICT are processed electronically through the Sijilat system, which is its public data system. All required information must be entered for the application to be successful, including a copy of the memorandum. Once received, MOICT will conduct an initial review to determine all information was provided, and then verifies the information by cross-checking against Sijilat and other systems and reviews the memorandum.

49. After initial MOICT screening of the application, the company can pursue obtaining any other licensing requirements it may have under Bahraini law in order to operate its intended activity. Once all secondary licensing is completed, the registrant must come back to MOICT with any additional required paperwork (such as a bank certificate of paid-in capital, if applicable) and payment of applicable fees. Once registration is granted, the company will receive a certificate of registration and have the registration published in the Official Gazette. All information submitted during the registration process is made publicly available in Sijilat.

50. One change affecting foreign companies arose from enactment of Law No. 50 of 2014. This law amended the CCL 2001 to specifically require that foreign companies doing business in Bahrain submit a copy of the memorandum of association (or equivalent incorporation documentation) for its head office to the MOICT. If the incorporating jurisdiction does not require legal ownership to be included in the founding documents, MOICT will require certification of the parent company’s legal ownership. In addition, the amended CCL requires the foreign company to update the MOICT regarding any ownership changes.

51. CBB registrations contain similar requirements and are detailed below (for PCCs, see A.1.1; for ILPs, see A.1.3; and for trusts, see A.1.4).

Commercial supervision

52. On an annual basis, all registered companies must submit a renewal form for their commercial registration to MOICT along with audited annual reports for review and analysis by MOICT. Audited annual reports are issued by audit firms which are registered and licensed by MOICT to practice audit activities.

53. Companies that do not timely file their registration renewals and/or audited financial statements are, following a 6-month grace period, considered in violation and receive a notation of such violation on the Register. On the subsequent renewal date, if the company is still in violation of its reporting obligations, it is given a “deleted by law” status on the registry that prevents it from engaging in any business activity. As a result, it will be unable to carry out transactions with banks or with government agencies, e.g. to obtain or renew working permits for foreign employees. A deleted company can regain active status within 3 years by coming into full compliance with any outstanding renewals and/or audited reports, otherwise it is permanently deleted from the registry. There is no limit to the number of times that a company can regain its active status in the event that it has been given a “deleted by law” status.

54. In practice, a small number of registered entities are deleted by law each year for failure to timely submit registration renewals and/or audited financial statements. Historically, around 15% of entities are struck off the register each year as “deleted by law”. During the review period, the following numbers of entities were deleted by law: 1 577 for 2015; 2 212 for 2016; and 2 356 for 2017. However, a large percentage (approximately 75%) typically regain active status after having been initially deleted by filing the necessary information with the MOICT to come into compliance.

55. MOICT gathered data on annual filing compliance by registered entities as follows:

Year	Number of companies obliged to file	Number of audited financials received	Percentage of compliance
2015	10 690	7 910	74%
2016	10 240 ^a	8 190	80%

Note: a. The number of companies obliged to file annual audited financial statements decreased in 2016 from 2015 because Decree No. 27 of 2015 established a new commercial registration procedure by which companies with filing non-compliance were given “deleted by law” status, which considered such entities as non-operational and thus not obliged to file audited financials.

Because most companies have 6 months from the end of their fiscal year to provide audited financial reports to MOICT, the grace period for submission of 2017 reports ends on 30 June 2018. At the end of the grace period for 2017 report (30 June 2018), over 70% of registered companies had submitted their audited reports for 2017.

2017	20 051 ^a	14 237	71%
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Note: a. The large increase in registered companies for 2017 arose in part from rules lowering the minimum capital requirement triggering registration, which removed an obstacle to company formation and led to a significant boost in newly created entities; furthermore, nearly 5 000 companies that had previously been “deleted by law” regained active status.

56. The total number of “deleted by law” companies on the Commercial Register is 12 087 at the end of 2017. This represents nearly 40% of the total registered entities. However, because the majority of companies reactivate after deletion in order to conduct business, the temporary filing non-compliance is generally resolved quickly with the annual reports containing updated ownership information and audited financials filed. MOICT maintains all system information regarding “deleted by law” companies indefinitely.

57. In monitoring all entities with a commercial registration number, the MOICT operates a risk-based approach to supervision following a risk-scoring matrix which grades entities. It has powers to conduct an administrative investigation upon its own accord or if serious complaints are received. During the review period, MOICT commenced 48 administrative investigations regarding compliance with registration rules. After a number of on-site inspections, MOICT referred 30 cases to the Public Prosecutor for action.

58. MOICT also monitors auditors and accountants by conducting both off-site and on-site inspections to measure and ensure compliance with

application laws and regulations. During the review period, 25 audit firms had licenses to operate. Ten inspection visits were conducted of audit firms in 2017; all were found compliant with the relevant law and administrative rules.

AML Framework

59. A number of institutions are obliged under the AML 2001 to prevent money laundering and terrorism financing activities by identifying and verifying the identity of their customers. Important institutions covered by Bahrain's AML rules for EOIR purposes include financial institutions, auditors, lawyers, and accountants.

60. As mentioned in the Overview, banks and other financial institutions subject to AML obligations are supervised by the CBB. The CBB has issued rulebooks that provide detailed requirements and guidance on how obligated institutions must comply with AML rules. The CDD procedures outlined in the rulebooks give particular instruction for licensees to identify the owners of a legal entity or arrangement. Where an entity's owners are not natural persons, the rulebooks require a licensee to identify its beneficial owners. The definition of beneficial owner used in CBB guidance is in line with the EOIR definition. The CBB rulebook also employs a cascading test for identifying beneficial owners, whereby if no natural persons with controlling ownership or ability to exercise control through other means can be identified, then the entity's senior managing officials should be considered beneficial owners.

61. MOICT issued Ministerial Order No. 173 of 2017 in September 2017 which expressly requires that auditors (as well as jewellery sellers and car dealers) comply with the AML 2001 rules in establishing business relationships with a client. Per Ministerial Order 126 of 2011 (see paragraph 125 of the 2013 Phase 2 report), auditors had already been subject to AML obligation previously; Ministerial Order 173 of 2017 reinforced those obligations to incorporate FATF recommendations. Specifically, with regard to identity information, auditors are required to obtain identity documents for clients; where the client is a legal entity, an auditor must acquire and verify the entity's particulars, including: name, address, legal form, directors, and the underlying articles and memorandum (Article 5) and the beneficiaries (Article 6) (which appropriately covers beneficial owners). If the client is deemed high risk, the auditor would need to apply enhanced due diligence procedures to obtain further information establishing the client's ultimate beneficial owner(s).

62. Similarly, MOJ issued Ministerial Edict No. 64 of 2017 that applies AML 2001 rules to lawyers and foreign legal firms operating in Bahrain, requiring them to comply with AML customer identification obligations and report suspicious client activity to the Ministry of Interior. Previously, attorneys were generally subject to client identification requirements under the AML 2001.

AML Supervision

63. The MOICT's Anti-Money Laundering Unit (AMLU) performs regular inspections visits during which business records are examined and a sample of audit files is requested. Failure to comply with the applicable rules can result in disciplinary measures ranging from reprimand to suspension of practice for 3 years or even removal from the auditor's register. The AMLU made the following number of inspections during the review period: 33 in 2014; 47 in 2015; 89 in 2016; and 111 in 2017. All inspected firms were found to be in compliance, therefore no sanctions were imposed. For AML non-compliance reviewed by the FID and the public prosecutor, there were 3 cases in 2014 that resulted in significant financial penalties and/or imprisonment, and 4 cases in 2016 that resulted in financial penalties and/or imprisonment.

Peer input

64. Bahrain received 7 requests for ownership information during the review period, and provided responses in all cases. No peers have provided negative input regarding the availability of ownership information.

A.1.1. Availability of legal and beneficial ownership information for companies

65. The types of companies existing under the Commercial Companies Law (CCL 2001) are: shareholding companies (both public and closed); single person companies; commandite by shares; limited liability companies; holding companies; and foreign companies. The legal requirements for each type of company are detailed in the Phase 2 report (paragraphs 50-53). At the end of 2017, the following number of registrations existed: 214 public shareholding companies; 1 504 closed shareholding companies; 1 commandite by shares; 18 083 limited liability companies; 7 180 single person companies; 750 holding companies; and 862 foreign companies.

66. In 2016, Bahrain also created a new type of entity under the Protected Cell Companies Law (2016). PCCs can be created to undertake a number of investment activities, including collective investments and captive insurance (Section 3). PCCs consist of a core company that has juridical personality and one or more cells with no legal personality and segregated ownership of assets. A PCC must draw up a memorandum and articles of association that are notarised and then consented to by the CBB. The memorandum must adhere to the requirements of the CCL 2001 and CRL 2015 (stated above). As of 30 June 2018, there were no existing PCCs.

67. The following table¹ shows a summary of the legal requirements to maintain legal and beneficial ownership information in respect of companies:

Type	Company law	AML law
Shareholding companies	Legal – all	Legal – all
	Beneficial – some	Beneficial – all
Foreign corporation	Legal – some	Legal – all
	Beneficial – some	Beneficial – all
Single person companies	Legal – all	Legal – all
	Beneficial – some	Beneficial – all
Limited liability companies	Legal – all	Legal – all
	Beneficial – some	Beneficial – all
Commandite by shares	Legal – all	Legal – all
	Beneficial – some	Beneficial – all
PCCs	Legal – all (CBB)	Legal – all
	Beneficial – some	Beneficial – all

Legal ownership

68. As discussed in the 2013 report (paragraphs 56-128), legal ownership information is available from the entities themselves or from the MOICT and Commercial Register, which is updated at least annually. Any amendment to the memorandum of association (or other relevant documents establishing legal ownership) as well as copy of the audited financial statements of the branch must be filed in the Sijilat. Because any transfer of shares must be registered with the MOICT and published before becoming legally effective (CCL article 271), MOICT has full sight into all changes of legal ownership for registered domestic entities and can be assured the information is current and accurate.

69. In addition, Bahrain amended its laws (Law No. 50 of 2014) so that foreign companies doing business in Bahrain must now submit a copy of the memorandum of association (and any future amendments) for its head office to the MOICT. In practice, legal ownership of the parent company must be included for MOICT to register the foreign entity and be updated at least annually (or any time an amendment is made to the memorandum). No other

1. The table shows each type of company and whether the various rules applicable require availability of information for “all” such entities, “some” or “none”. “All” in this context means that every company of this type is required to maintain ownership information in line with the standard and that there are sanctions and appropriate retention periods. “Some” in this context means that a company will be required to maintain a portion of this information under applicable law.

relevant changes have affected the availability of this information for the entities discussed in the 2013 report. These changes satisfy the recommendation in the 2013 Phase 2 report regarding foreign companies and it has been accordingly removed.

70. For PCCs, which were introduced in 2016, legal ownership information is available by application of the CCL 2001 and CRL 2015 procedures: the PCC will be required to hold the information in creating the articles of association and memorandum of incorporation, and the information will be available as well from the Commercial Register and CBB as a result of the registration process.

Conclusion

71. Legal ownership information is adequately obtained at the time of registration for both domestic and foreign companies, and updated ownership information (through either a revised memorandum or in the annual audit report) must be provided by both domestic and foreign companies.

Beneficial ownership

72. Beneficial ownership information for companies in Bahrain must be kept by entities themselves and provided to the government during the registration process. According to the CRL 2015, registrations must provide in the application detailed ownership information. As part of the registration process, the MOICT requires submission on ultimate beneficial owners and in practice would deny an application if it believes beneficial ownership information has not been provided. However, MOICT's rules to provide the names of ultimate beneficial owners of a legal entity (including companies) only applies to those natural persons holding shares, and so may not necessarily cover identification of beneficial ownership through control by means other than shareholding. To the extent that a Bahraini resident is identified as a beneficial owner, the MOICT can verify linkages through the Sijilat system and obtain personal information from the Information and eGovernment Authority if necessary.

73. Beneficial ownership information obtained during the registration process will be updated in Sijilat when ownership transfers are submitted and approved by MOICT, as well as beneficial ownership information gathered by the external auditor. Information provided to Sijilat is retained indefinitely on the system, even for entities that cease to exist (such as from liquidation).

74. The change in Law No. 50 of 2014 to require a foreign company to update the MOICT regarding any ownership change is vague as to whether this encompasses beneficial ownership, although in practice Bahrain

confirms that it requires beneficial ownership information to be included in order for any filing of change for a foreign company to be accepted.

75. More importantly, as part of the registration process, the MOICT requires all shareholding companies, single person companies, commandites by share, and limited liability companies to provide a certificate of capital from a Bahraini financial institution. As a result of this requirement, every affected company will need a local bank account in order to complete the registration process. A company must maintain a bank account following registration as the external auditor will confirm such account annually; in addition, a 2017 CBB directive requires all retail banks to notify MOICT when the account of a company under formation is dormant and/or when the initial capital is withdrawn.

76. The bank, pursuant to its AML obligations, will obtain ownership identification of the company, including beneficial owners. A foreign company is the only type of company not subject to a minimum capital requirement needing a certificate of capital presented during the registration process, but must maintain a local bank account, ensuring CDD will be conducted to collect beneficial ownership information.

77. In addition, all companies are required to provide audited financial statements on an annual basis. An external auditor is now a covered institution under the AML framework and so is required to obtain legal and beneficial ownership information on its customers.

78. As licensees, both banks and auditors are required under the CBB Rulebook (FC Module) to monitor changes in beneficial ownership, in part by updating CDD information at least every three years (particularly for high risk customer categories); when performing a CDD customer review, the licensee must obtain updated copies of identification documents if more than 12 months out of date.

79. These overlapping requirements in Bahrain's legal framework ensure that beneficial ownership information on all companies is available in line with the standard.

80. During the review period, Bahrain received 7 requests for beneficial ownership information from treaty partners, all of which were answered.

Supervision

81. All registered companies must annually renew their registration with MOICT and submit an annual report conducted by an external auditor. For example, the Sijilat system contains an automated process that requires all registered entities to update beneficial owner information on a yearly basis as a mandatory requirement. MOICT actively reviews the renewals and reports

for any inconsistencies with the law, and closely monitors compliance with the filing requirements. During the review period, MOICT conducted 48 administrative investigations regarding compliance with registration rules, including availability of beneficial ownership information, which resulted in several sanctions and prosecution referrals. Companies that do not timely provide the necessary documents with updated ownership information will be given a “deleted by law” status on the registry, which removes their ability to conduct business.

82. If financial institutions were to only rely on information held in the Sijilat registry to verify the identity of a customer’s beneficial owners, they may not in all cases obtain information on all true beneficial owners. Although no issues have arisen in practice, the CBB should ensure that AML-obligated persons conduct due diligence procedures in line with the rulebook guidelines regarding identification and verification of beneficial owners.

Conclusion

83. Bahrain has in place an integrated system of registration and use of AML-obligated institutions to ensure that beneficial ownership information is maintained regarding all registered companies. Although the Sijilat system may not provide beneficial ownership in all circumstances, the universal requirement for domestic companies to show a certificate of deposit ensures that an AML-obligated financial institution will conduct CDD to obtain beneficial ownership on the entity and keep it up-to-date. The one exception is that foreign companies operating in Bahrain do not need a bank certificate of capital; however, as they interact with AML-obligated entities because they are required to maintain a bank account that is reported to the MOICT, beneficial ownership must still be available. The circle is complete as the companies are subject to AML review by the financial institution.

A.1.2. Bearer shares

84. As discussed in the 2013 report (paragraph 79), bearer shares are theoretically possible under Bahraini company law, but would require a ministerial order specifically allowing a company to issue them. The MOICT has never issued such an order and therefore it is not currently possible to issue bearer shares. Bahrain informs that a draft law to remove bearer shares from the company law is being considered. Pending passage of the draft law, Bahrain is recommended to continue to ensure that anonymous bearer shares cannot be issued.

A.1.3. Partnerships

85. The 2013 report provided a detailed explanation of partnerships in paragraphs 80-90. Generally, under the CCL 2001, partnerships are arranged as either general (with joint and several liability for all partners) or limited (also known as a simple commandite, with general partners having joint/several liability and limited/silent partners with no management role limited to liability equal to capital contributions). As of June 2017, there were 2 601 general partnerships and 142 simple commandites registered in Bahrain.

86. In 2016, Bahrain enacted the Investment Limited Partnerships Law (ILP 2016), which created a new type of partnership allowed to carry out certain investment activities, including collective investments and captive insurance (Section 2). An ILP consists of one or more general partners with joint/several liability for partnership obligations and one or more limited partners with liability limited to their capital contributions (Section 3).

87. An ILP is formed by establishing a Partnership Agreement that is notarised, accepted by the CBB, and then entered into the Commercial Register (Section 3). The Partnership Agreement must include the names, addresses, nationality, and identity particulars of all general partners (Section 6(3)), and the names and addresses of all limited partners (Section 4(5)). Any changes to the composition of the general or limited partners must be presented to the Commercial Register within 14 days (Section 6(6)). The ILP is also required to internally keep records accurately reflecting its general and limited partners, as well as financial statements for the preceding ten years (Section 7).

88. These records are available for inspection by the external auditor, the CBB, or a competent court. At the end of 2017, there were no ILPs registered with the CBB.

Identity Information on Partners

89. As explained in the 2013 report, all general and limited partnerships must file a Memorandum of Association with the MOICT as part of registration. For general partnerships, the memorandum must include ownership and identity information regarding all partners (such as name, address, nationality, capital participation). For limited partnerships, the memorandum must contain the names of all partners (both joint and limited).

90. All partnerships must revise the memorandum upon any change in partners and submit to the MOICT. The annual renewal form also requires indication of any changes in ownership that will be captured by the MOICT.

91. For ILPs, the partnership agreement captures the ownership information of all general and limited partners, which must be updated upon any

change and notice given to the Commercial Register. The CBB can inspect the records at any time.

92. Based on these legal requirements, ownership information regarding partners is available in Bahrain for all three kinds of partnerships. These requirements ensure that ownership information regarding a partnership's partners is available under Bahrain's legal framework

Beneficial ownership

93. As part of the registration process applicable to all partnerships (including ILPs), the CRL 2015 and MOICT Ministerial Order No. 126 (2016) require that the applicant provide information on each of the Registration Owners (i.e. the persons owning the entity being registered), including foreign partners. Bahrain interprets this to include providing information in the registration on beneficial owners, and so mandates the identification of beneficial owners both at registration and for annual reporting (and for any changes occurring during the year). Transfers of partnership interests under CCL 2001 also require that the partnership provide MOICT with an amended memorandum establishing the names of all partners, which must be approved in order to have legal effect. However, as noted in paragraph 72, MOICT's rules and practices may not fully capture all beneficial owners if control is exercised through means other than direct ownership, including for partnerships.

94. There is no requirement under the CCL 2001 or ILP 2016 that partnerships maintain a minimum capital balance that would require them to obtain a bank certificate of capital and thus trigger AML CDD rules by a financial institution. In addition, while partnerships are obliged to keep accounting records, they are not currently required to engage external auditors to submit annual financial statements to MOICT. Thus, it is not clear that up-to-date beneficial ownership information will be maintained in the Sijilat or be available from an AML-obligated institution.

Supervision

95. As with companies, MOICT requires annual registration renewals for partnerships which are reviewed for consistency, and non-filing will lead to suspension of active status. During the review period, approximately ten percent of partnerships were inspected for compliance with filing and amending requirements for beneficial ownership.

Conclusion

96. It appears that up-to-date beneficial ownership information for partnerships may not always be available in all circumstances in Bahrain because partnerships may not be obligated to engage CBB licensees that would maintain updated beneficial ownership information. This gap should be addressed to come in line with the standard.

A.1.4. Trusts

97. As explained in the 2013 report (paragraphs 91-119), common law trusts are not recognised in Bahrain, and the only domestic legal arrangements recognised were waqfs (a component of Islamic sharia'a law) and financial trusts.

98. In 2016, Bahrain issued Legislative Decree No. 23 to adopt a new trust law, abolishing the previous financial trusts law. The 2016 Trusts Law creates a new domestic trust class in which a trust is created pursuant to the law of Bahrain. A Bahraini trust must have a notarised trust instrument that identifies: the initial trust property; the trust's purpose (if created for charitable or non-charitable purposes); name of the trust; and the trust's registered office. In order for the trust to be valid, the trust instrument must also include the name and address of the trustee, and identify the beneficiaries (unless established as a purpose trust).

99. Beneficiaries must be identifiable by name, or if part of a specific class, ascertainable at the time a beneficial interest vests.

100. All Bahraini trusts must be registered with the CBB within 30 days of creation. Trustees are required to update the trust registrar regarding any changes to the trust particulars within 30 days and keep trust records for at least ten years (see paragraph 129 below).

101. All Bahraini trusts must have at least one licensed trustee that is authorised by the CBB. A licensed trustee is a licensee subject to all applicable CBB laws (including AML customer due diligence requirements). A trustee must disclose its capacity as a trustee in all contracts and third-party transactions, including for establishing banking accounts. As a CBB licensee, a trustee is obligated by the CBB Rulebook to determine and verify the identity of the ultimate beneficial owner of the funds, the ultimate provider of funds (if different), and the ultimate controller (which captures any exercise of ultimate effective control over the trust in line with the EOIR standard) of the funds (if different).

102. Protectors are permitted if the trust instrument so provides. A protector is empowered to: add or remove trustees, beneficiaries and enforcers; change application of the proper law the trust is created under; give or

withhold consent from a trustee's proposed actions; and change any articulated purposes of a trust (if established as a purpose trust). Protectors must be specifically identified in the trust instrument if utilised, and the licensed trustee must maintain updated information concerning a protector. Thus, beneficial ownership information regarding the protector is available.

103. Similarly, enforcers are required under the 2016 Trust Law for purpose trusts. An enforcer is authorised to enforce the charitable or non-charitable purposes of a purpose trust. A trustee cannot simultaneously serve as an enforcer, although a settlor is permitted to act in both roles. Enforcers are specifically required to be identified in the trust instrument, ensuring beneficial ownership information for such individuals is available

104. At the end of the review period, only 5 Bahraini trusts were registered with the CBB. During the review period, there were three licensed trust service providers. All three were subject to on-site inspection by the CBB in 2015 regarding compliance with record keeping requirements. No enforcement actions resulted from the inspections as no major violations were detected. Since 2016, the licensed trust service providers were given notice of the changes to the law and have been subject to off-site inspections by CBB and remain subject to on-site inspections every three to five years.

105. Foreign trusts remain possible under the 2016 Trust Law, and are characterised as any trust for which the proper law is a foreign law. A Bahraini court will have jurisdiction over a foreign trust to the extent that a trustee is resident in Bahrain or trust property is situated in Bahrain. A resident trustee of a foreign trust must also be licensed with the CBB and has an obligation to identify and maintain information on the trust's settlors, trustees, protectors, beneficiaries and any other person exercising ultimate effective control. To the extent a foreign trust with a non-resident trustee has property in Bahrain (such as listed securities, company shares, or real estate), then Bahrain would have jurisdiction over such foreign trust.

106. In addition, a foreign trust may be required to register with the CBB if utilised as a financial instrument (e.g. a unit trust, mutual fund, bonds, or sukuk (which is an Islamic bond)), and the marketing agent as a CBB licensee would have CDD obligations to maintain legal and beneficial owner information.

107. As noted in paragraphs 109-119 of the 2013 report, waqfs exist solely for religious charitable purposes and family asset management, and are strictly governed by the Waqf Councils and Sharia'a Court. A waqf must be registered with the Council, identifying its beneficiaries and bank account number. A waqf deed must indicate the founder, endowment property, purpose, and beneficiaries. Only individuals and charities can be beneficiaries of a waqf endowment. MOJ gathers all identifying information on the individual beneficiary such as name, address, and Government Identity Number (ID).

MOJ only approves real estate waqfs to ensure that waqf property is used for its designated purpose (see paragraph 110 of the 2013 report for further explanation). Administration of a waqf ensures that all activities are reviewed at multiple levels, and annual reports must be filed with the Waqf councils. There are currently 1 681 waqfs registered in Bahrain.

108. Legal and beneficial ownership information is thus maintained by both the waqf itself, and can be readily obtained by the Waqf Councils or Sharia’a Court. Because registered waqfs must also have a bank account, the financial institution will also have AML obligations to maintain legal and beneficial ownership information under the CDD rules. Waqfs fall under “similar arrangements” to trusts, and so the same CBB rulebook requirements apply for identifying beneficiaries, those exercising control over the arrangement, or with administrative authority. No EOI requests have been received by Bahrain concerning waqfs.

Conclusion

109. Legal and beneficial ownership information for domestic trusts should be available in Bahrain, as well as for foreign trusts with registration requirements. Bahraini trusts require at least one licensed trustee, who as a CBB licensee is subject to CDD rules and must identify the settlor, trustees, protectors (if any) and beneficiaries of a trust.

110. The deletion of financial trusts from Bahrain’s legal framework has made moot the Phase 2 recommendation regarding supervision of trustee’s obligations to obtain legal ownership information. The CBB reviewed all licensed trustees during the review period and found no deficiencies with regard to their AML compliance.

111. For foreign trusts with nexus in Bahrain by reason of a resident trustee, such trustee must be licensed with the CBB and will have an obligation to identify and maintain information on the trust’s settlors, trustees, protectors, beneficiaries and any other person exercising ultimate effective control. In addition, foreign trusts used as financial instruments will also be registered with the CBB and subject to the same identification requirements

A.1.5. Foundations

112. Jurisdictions that allow for the establishment of foundations should ensure that information is available identifying the founders, members of the foundation council, beneficiaries, as well as any beneficial owners of the foundation or persons with the authority to represent the foundation.

113. The concept of foundation does not exist under the laws of Bahrain.

Summary

114. Overall, Bahrain has in place a strong legal framework to ensure the availability of legal and beneficial ownership information for legal entities and arrangements, but some small gaps exist that Bahrain should address. Bahrain should ensure that updated beneficial ownership information is available for partnerships.

A.2. Accounting Records

Jurisdictions should ensure that reliable accounting records are kept for all relevant entities and arrangements.

115. The 2013 Phase 2 report found that Bahrain’s framework for the maintenance of accounting records, including underlying documentation, for a minimum period of five years was inadequate as the record-keeping requirement did not cover all relevant entities and arrangements (such as financial trusts) for the proper period, and such requirements were not properly enforced for partnerships and foreign entities. Accordingly, element A.2 was determined to be “in place, but certain aspects need improvement” and Partially Compliant.

116. Since the last review, Bahrain has adopted provisions in its new trust law that specifically requires trustees to maintain accounting information and other records sufficient to explain all financial transactions, and has inspected all licensed trust service providers regarding their compliance with this provision.

117. In addition, Bahrain passed a law requiring foreign companies to provide MOICT with a copy of their head office audited financial statements.

118. The updated table of determinations and ratings is as follows:

Legal and Regulatory Framework		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of the legal and regulatory framework		
Determination: In place		

Practical Implementation of the standard		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of EOIR in practice		
Rating: Compliant		

A.2.1. Obligations to maintain accounting records

119. Under the CCL 2001, all business entities (including partnerships and foreign companies) registered in Bahrain must keep accounting books and records, and MOICT is given power to inspect and access the accounting information of all registered entities.

120. For limited liability companies and single person companies, Decree No. 28 of 2015 amended CCL 2001 article 286(C) to state that subject companies are required to provide MOICT with copies of the balance sheet, profit and loss statement, annual report and auditor report within six months of the end of the fiscal year. In all cases, the MOICT is empowered to request “any financial information, documents, reports, or any additional information it may deem necessary”.

121. Shareholding companies in Bahrain (whether public or closed) are required by Article 195 of the CCL 2001 to similarly submit, within three months of the end of the fiscal year and before the annual general meeting, copies of an annual report that includes a balance sheet and profit and loss account.

122. The CCL 2001 rules are also made applicable to protected cell companies and investment limited partnerships. For foreign companies registered in Bahrain, Decree No. 50 of 2014 amended CCL 2001 article 348 to introduce a new requirement that such companies file a copy of the audited financial statements of the head office within six months of the end of the fiscal year, as such requirement did not expressly exist previously.

123. Failure to comply with the record keeping requirements under the CCL 2001 is punishable by a fine up to BHD 5 000 (approximately USD 13 300), and a company can be suspended from the commercial register for wilful failure to maintain or provide requisite records.

124. More generally, under the Commercial Law, anyone undertaking a business activity (“merchant”) with capital exceeding BHD 10 000 (approximately USD 26 600) must maintain commercial books appropriate to the nature of the business activity undertaken that demonstrates the financial position, rights and obligations of the enterprise, which includes externally

audited statements.² At a minimum, a business must keep at least two types of books: both an original journal containing detailed daily commercial transactions, and a general ledger containing all accounting operations with supporting documentation. Commercial books must be kept for a minimum of ten years from the date of closure. Failure to keep the necessary records is punishable by a fine between BHD 100 and BHD 1 000 (approximately USD 266 to USD 2 660).

125. The broad requirements of the CCL 2001 and Commercial Law (specifically CCL 2001 sections 344 and 331, and CL article 25) thus put in place a strong legal framework for keeping accounting records by most relevant legal entities in Bahrain. For entities that are dissolved or liquidated, the liquidator remains obligated to maintain for ten years copies of the relevant books and records in accordance with all relevant provisions of the CL; companies that are struck off of the Commercial Registry must themselves subsequently maintain all documents for ten years (through an owner, etc.). In practice, Bahrain has not had issues obtaining accounting information from dissolved companies, and no peer input indicates any issues.

126. The annual auditor report can only be prepared and submitted by licensed auditors registered with the MOICT. Article 22 of the Auditor Law No. 26 of 1996 allows the MOICT to demand that an auditor provide any supporting documents with regard to an audit report. Auditors must maintain records underlying an audit report for at least ten years after its submission.

127. CBB licensees are also subject to keep accounting records. For example, Articles 59 and 60 together require licensees to maintain accounting and other similar records for at least ten years; FC-7.1.2 also requires licensees to “retain copies of reports produced for their annual compliance review...for at least five years”.

128. Partnerships would be required to keep accounting records in conformity with the Commercial Law (as discussed above) if assets exceeded BHD 10 000 as such entities would qualify as “merchants” undertaking business activity. All partnerships, regardless of size, would also be required to keep a balance sheet and profit and loss account (CCL 2001, Article 49).

129. In Bahrain, in addition to the applicable commercial entity rules, trustees also have obligations under the Trusts Law 2016 (article 30) to maintain accurate information, which includes records for the trusts they administer. In Resolution No. 30 of 2017, the CBB also requires licensed trustees to maintain

2. For commercial enterprises without limited liability (such as partnerships and sole person companies), the reference to “capital” in the law extends to the net assets of the entity. Bahraini authorities indicate that very few businesses have net assets or capital of less than BD 10 000.

on-premises full books and records which accurately indicate all activities undertaken by the licensee. These laws equally apply to Bahraini trustees of a foreign trust. The Trusts Law 2016 does not specify how long a trustee must retain these records, but application of the CBB Law to trustees as trust service providers would require them to keep the records for ten years.

130. During the review period, all three then-licensed trust service providers were inspected by the CBB in respect of the requirement to keep proper records under the Trusts Law 2016 (both their own records as well as records regarding each trust).

131. For waqfs, the Waqf Councils maintains all relevant data, including information on endowed property, location and size of endowments, type of investment, and any endowment identification documents. Any changes to the operation of the waqf are provided to the Waqf Directorate. Because waqfs must also have annual budgets approved by the Waqf Directorate, both an internal auditor as well as an external auditor perform authorised reviews of each individual waqf's financial activities. A waqf's accounting and underlying documentation must be retained for ten years.

132. For the small number of legal entities operating in the oil and gas sector that are subject to income tax, these taxpayers are required to keep accounting records detailing all items of income and deductions (or other items affecting taxable income). Taxpayers must submit a tax declaration to the MOF and have their records certified by an accountant recognised by the MOF. There is no supervision programme per se with respect to taxpayers' accounting records.

Supervision

133. The MOICT supervision of auditor statements is conducted by the Company Control Directorate, which reviews the statements for any indications of non-compliance (which can also be indicated by an auditor's qualified opinion or disclaimer). MOICT officials also have the right to attend the general meetings of registered entities at which financial reports and corporate governance reports are discussed and approved.

134. During the review period, the MOICT's Company Control Directorate exercised its supervisory powers (consistent with practice) to review audited financial statements for indications of non-compliance, including review prior to attending a company's annual general meeting. All registered entities required to submit audited annual reports who failed to do so within six months of the financial year's end are automatically given "deleted by law" status. MOICT made deletions of 1 577 in 2015 and 2 212 in 2016. MOICT also conducted on-site inspections of 10 audit firms during the review period, with no enforcement actions necessary.

135. The CBB supervises licensees regarding accounting information by conducting examinations using the administratively adopted rulebooks. Off-site analysis looks to risk assess each licensee, which determines the scope and factors of the subsequent on-site examination. The on-site examination focuses on the effectiveness of the licensee’s AML procedures and controls, including sample tests to evaluate the mechanisms of CDD implementation. External auditors also provide the CBB with annual reports on all licensees.

136. CBB can impose a range of administrative sanctions for violations of CBB Law following written warnings, including financial penalties all the way up to suspension of a license. CBB conducted regular on-site inspections during the review period as follows: 35 in 2014; 38 in 2015; 33 in 2016; and 67 in 2017. In addition, CBB will conduct multiple ad-hoc, special and other directed inspection visits during the year as it deems necessary. During the review period, the CBB did not take any enforcement action against licensees with regard to accounting records and underlying documentation under the AML law.

A.2.2. Underlying documentation

137. In addition to explaining all transactions, enabling the financial position of an entity to be determined, and allowing for financial statements to be prepared, accounting records should include underlying documentation and should reflect details of all sums of money received and expended, all sales, purchases and other transactions, and the entity’s assets and liabilities.

138. As explained in paragraphs 144-147 of the 2013 report, the relevant laws mentioned above generally require that legal entities and arrangements maintain sufficient detail of financial transactions in line with the standard.

139. Bahrain addressed the 2013 report recommendation regarding potential unavailability of underlying documentation for financial trusts when it adopted the Trusts Law 2016; in conjunction with the CBB resolution, it is clear that a trustee must now keep all necessary accounts and records regarding a trust’s transactions.

Conclusion

140. The 2013 report recommended that Bahrain ensure both that there is an express requirement for trusts to maintain underlying documents with an appropriate retention period in line with the standard, and that enforcement of relevant measures are adequate (especially for foreign companies and partnerships). Bahrain subsequently enacted a new trusts law that requires trustees to maintain necessary accounting records and underlying documentation for ten years, which obviates the prior recommendation. It

also inspected all of its registered trust service providers. In order to fix an existing gap, Bahrain also amended the law to require foreign companies to submit audited financial statements. Bahrain has ensured that foreign companies and partnerships are included in MOICT’s enforcement programmes, which by operation of the off-site monitoring and risk-based on-site visits will encompass inspection of necessary records (including accounting records and underlying documentation) for compliance purposes. These are important steps toward meeting the standard and the previous recommendations are satisfied. The applicable retention periods are now consistent with the standard. However, Bahrain should continue to monitor application of the new legal requirements to trusts/trust service providers and foreign companies.

141. Bahrain received 11 requests during the review period for accounting information. Except for one case (received at a time when there was no legal requirement for foreign companies to maintain accounting records and which resulted in the adoption of a new law), Bahrain was able to obtain and provide the requested information in all other cases, including in respect of accounting information for foreign companies; no other negative input from peers was received.

A.3. Banking information

Banking information should be available for all account-holders.

142. The Phase 2 report did not raise any concerns with respect to the availability of bank information in Bahrain. In the report, element A.3 was determined to be “in place” and rated Compliant.

143. Availability of banking information is confirmed in Bahrain’s EOI practice. During the review period, Bahrain received 10 requests for banking information and was able to obtain the information in all cases.

144. There has been no change in the relevant provisions or practices since the last review. With the inclusion in the revised standard for banking information to identify beneficial owners, Bahrain continues to demonstrate compliance. Thus, the table of determinations and ratings remains as:

Legal and Regulatory Framework		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of the legal and regulatory framework		
Determination: In Place		

Practical Implementation of the standard		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of EOIR in practice		
Rating: Compliant		

A.3.1. Availability of banking information

145. Jurisdictions should ensure that banking information, including beneficial ownership information, is available for all account holders. In Bahrain, banks and financial institutions are regulated by the CBB and are subject to the CBBL. At the end of 2017, the CBB supervised a total of 101 banks and 292 NBFIs.

146. Banks and NBFIs are also covered institutions for purposes of the AML law, which sets out obligations to retain records on accounts and transactions. Accordingly, the CBB requires banks to maintain transaction records, customer records, and other relevant documents.

147. The CBB Rulebook imposes extensive record-keeping requirements on licensees regarding customer identification and due diligence records. CBB licensees must keep completed transaction records for as long as they are relevant for the purposes for which they are made, with a minimum period in all cases of five years from the date when the transaction was completed. CDD records must be kept for at least five years following termination of the customer relationship.

148. CBB ensures compliance by all licensees of the record-keeping and retention requirements using dedicated inspection teams that visit licensed entities using a risk-based annual inspection plan. The CBB uses a range of supervision programmes, including on-site inspections, AML/CFT inspections, expert assessments as deemed necessary by CBB, and annual external auditor's assessment of AML/CFT controls.

149. Each on-site inspection, among other aspects, has a strong focus on compliance with records pertaining to the accounts related to financial and transactional information and identifying beneficial owners. Deficiencies arising from an inspection lead to the CBB Governor issuing time-bound recommendations that the licensee's board must correct. Off-site supervision reviews implementation of a licensee's corrective measures, re-inspection of any identified deficiencies, and appropriate enforcement actions for ongoing lapses or delays.

150. During the review period, the CBB conducted on-site inspections as follows:

- 2014 : 35 (7 conventional banks, 9 Islamic banks, 7 insurance firms, 12 financial institutions)
- 2015: 38 (14 conventional banks, 5 Islamic banks, 7 insurance firms, 12 financial institutions)
- 2016: 33 (10 conventional banks, 2 Islamic banks, 6 insurance firms, 15 financial institutions)
- 2017 67 (28 conventional banks, 8 Islamic banks, 10 insurance firms, 21 financial institutions)

The only enforcement measure taken during the review period involved issuing a formal warning to one bank for maintaining customer records at the head office rather than the branch office.

151. The CBB can impose a fine up to BHD 100 000 for failure to keep records in compliance with the Rulebook. Non-compliance with AML requirements is usually subject to non-monetary sanctions, which can include formal warnings, restrictions on operating activities, or revocation of a license in egregious cases.

152. Between 2014 and 2016, CBB conducted 39 reviews involving AML issues for banks and NBFIs. Nearly all licensees were found to be compliant with their AML obligations, with only one licensee put under CBB administration and 2 licensees receiving administrative fines.

153. Bahrain allows banks and other financial institutions to accept customers introduced to it by other financial institutions or intermediaries only if it is satisfied that the introducer is subject to FATF-equivalent customer due diligence measures. Yet even where a licensee delegates part of the CDD measures to another financial institution or intermediary, the responsibility for meeting the CDD requirements remains with the licensee, not the third party.

154. Pursuant to FC-1.9, a licensee may only accept introduced business if all of the following conditions are satisfied:

- The CDD measures applied by the introducer are consistent with the FATF Recommendations.
- A formal agreement is in place defining the respective roles of the licensee and introducer in relation to CDD measures.
- The introducer immediately provides all necessary CDD information (customer's identity, beneficial owners, source of funds, purpose of

relationships, nominee status, etc.) and confirms that the licensee will be allowed to verify the CDD measures undertaken by the introducer at any stage.

- The introducer provides written confirmation that all CDD requirements have been met under the FATF Recommendations, and that all underlying CDD documents will be kept for at least five years after the business relationships is ended.

155. The licensee must perform periodic reviews ensuring that any introducer on which it relies is in compliance with the FATF Recommendations. Where the introducer is resident in another jurisdiction, the licensee must also perform periodic reviews to verify whether the jurisdiction is in compliance with the FATF Recommendations. Should the licensee not be satisfied that the introducer is in compliance with the FATF Recommendations, the licensee must conduct its own CDD measures on the customer, or else refuse further introductions from the introducer or discontinue the business relationship.

156. Over the three-year period under review, the BCA received 10 EOI requests concerning banking information. In all cases the BCA was able to provide complete responses of the requested banking information. No negative peer input was received.

Conclusion

157. The 2013 report found no issues with the availability of banking information in Bahrain, and under the 2016 Terms of Reference, there appears to be no identifiable deficiencies in meeting the standard. Accordingly, this element is determined to be “in place” and is rated as Compliant.

Part B. Access to information

158. Sections B.1 and B.2 evaluate whether competent authorities have the power to obtain and provide information that is the subject of a request under an EOI arrangement from any person within their territorial jurisdiction who is in possession or control of such information, and whether rights and safeguards are compatible with effective EOI.

B.1 Competent authority’s ability to obtain and provide information

Competent authorities should have the power to obtain and provide information that is the subject of a request under an exchange of information arrangement from any person within their territorial jurisdiction who is in possession or control of such information (irrespective of any legal obligation on such person to maintain the secrecy of the information).

159. Government authorities in Bahrain have broad powers to obtain bank, ownership, identity, and accounting information and to compel the production of such information where needed. Bahrain’s competent authority is empowered to obtain all such information from any person within its jurisdiction who is in possession of the information, although it may need to first rely on other government agencies to obtain the needed information from a record holder.

160. Bahrain’s access powers were assessed under the 2010 ToR and found to be generally adequate, although the 2013 report noted that access could fall short of the standard as the government’s rights were drawn more from implications than from specific legislative provisions. Consequently, Bahrain was recommended to put in place express statutory provisions granting EOI access rights. In addition, the report recommended that the CBB adopt guidelines on handling EOI requests in order to be prepared for dealing with such requests in the future. Element B.1 was determined to be “in place, but needing improvement” and rated Largely Compliant.

161. Since the last review, there have been several major developments in Bahrain affecting the legal framework of element B.1, including the creation of a new competent authority for EOI purposes, as described below. Bahrain

authorities have also adopted explicit procedures for handling information requests related to EOI.

162. The updated table of determinations and ratings is as follows:

Legal and Regulatory Framework		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of the legal and regulatory framework		
Determination: In place		
Practical Implementation of the standard		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of EOIR in practice		
Rating: Compliant		

163. Prior to 2016, the competent authority for Bahrain had been delegated from the Minister of Finance to the Foreign Economic Relations Directorate (FERD) (see paragraph 173 of the 2013 report). However, the Ministry of Finance in May 2016 issued Ministerial Circular No. 7 that re-delegated the competent authority powers to the newly established Enterprise Tax Directorate (ETD). ETD subsequently issued Circular No. 1 in May 2016 that established the Bahrain Competent Authority (BCA) and vested it with the authority to exchange tax information. The ETD Circular nominated dedicated and specialised staff to comprise the BCA and set out their duties and responsibilities.

164. Nonetheless, BCA (like its FERD predecessor) has limited direct powers to access information as the Bahraini tax law (ITL 1979) is limited in scope and thus a wide-ranging number of activities are not covered (see paragraph 173 of the 2013 report).

165. In the absence of a specific grant to the BCA to obtain non-tax information, the BCA relies on the direct applicability of EOI mechanisms that bind the whole government and empower various public authorities to collect information on behalf of the BCA. As explained in the 2013 report (paragraph 175), the 2010 internal EOI procedure promulgated by the government continues to govern how the BCA collects EOI information from other agencies.

166. The primary agencies that BCA draws on for obtaining information are the MOICT (for commercial information), CBB (for information on

banks, financial institutions, and trusts) and IGA (for information on legally resident individuals in Bahrain).

167. The CBB has express statutory powers to obtain any information deemed necessary from all licensees (CBB Law articles 111-114) and can issue any directives necessary to implement the law (article 38). As a result, the CBB has authority to demand customer due diligence records, transaction records, compliance records, training records, financial records, etc. The CBB is also able to exercise its investigative authority with regard to trusts under article 69 of the 2016 Trusts Law.

168. The MOICT maintains an extensive publicly available database (Sijilat) on registered commercial entities that contains ownership and identity information for the owners of shareholding companies, general partnerships, limited partnerships, limited liability companies, single person companies, and joint partners for partnerships limited by shares. Where the Sijilat system does not maintain public information then the MOICT may have the requested information held in internal non-public systems or rely on its information gathering powers to obtain it from the entity or service provider.

169. The IGA is a government agency acting as a centralised register and depository of information on all individuals legally resident in Bahrain. Every Bahraini resident must register with the IGA and have an ID card. An individual's IGA record will contain important identification information, such as nationality, address, ID number, etc. This information is constantly updated based on information obtained from other government agency systems linked to IGA.

170. BCA does not need to invoke special procedures when it requests information from another government agency. BCA has entered into specific agreements with MOICT, CBB and IGA that contain procedures for how these agencies will comply with and process a request by BCA for information.

171. The 2013 report expressed some concern with a lack of specific provisions on access powers in a small number of DTCs Bahrain had with other jurisdictions (paragraphs 177-178). Since then, Bahrain has negotiated protocols for DTCs with Brunei Darussalam, People's Republic of China (hereafter "China") and the Philippines (not yet entered into force) that include an equivalent to the Model Article 26(4) on access powers.

172. Bahrain also continues to rely on its interpretation that treaties in force override all other domestic laws (other than the Constitution), with the result that its EOI mechanisms allow it to obtain and exchange information needed to honour such commitments. There has been no legal challenge to this interpretation, and Bahrain continues to believe that its view would prevail in any event.

173. During the review period, all governmental entities requested to gather information for the competent authority were able to do so.

B.1.1. Ownership, identity and bank information

174. In response to the Phase 2 report recommendation, the CBB adopted internal procedures in November 2014 for handling EOI requests. The CBB “EOI Request for Information” (RFI) procedure requires the BCA to send an information request to the CBB Governor by email. A CBB EOI officer will acknowledge the request within 15 days of receipt and determine which personnel within CBB can best obtain the requested information, keeping in mind the strong confidentiality measures applied to EOI matters. The RFI requires that a substantive response be provided to the BCA within 60 days of any request.

175. For identity information on a legal resident of Bahrain, the BCA contacts the IGA. The IGA was created by Royal Decree in October 2015 and inherited CIO’s EOIR responsibilities. IGA’s internal procedure for handling EOI requests requires the responsible officer to query the central registration system within an hour of receiving a request (during business hours) and provide a response to the BCA.

176. When MOICT receives a request from the BCA, MOICT will first check the Sijilat system. If the requested information is not available on Sijilat, MOICT will then check all of its other databases; if nothing responsive is found, MOICT will send a request to the entity for the required information. Assuming MOICT is satisfied with the information provided by the entity, it will send the information to BCA.

177. For banking information or ownership information held by the CBB, the BCA will send an email request to the CBB Governor, which will act on the request in accordance with the RFI procedure. Although the CBB has 60 days in which to provide a complete response to a request, in practice it is typically able to send a full response to the BCA within 30 days. During the review period, BCA obtained banking information easily from the CBB and provided a response to a requesting partner well within 90 days.

178. During the review period, Bahrain received 7 requests for ownership information and 10 requests for banking information. The BCA did not have any problems obtaining the requested ownership and banking information in these cases.

B.1.2. Accounting records

179. As described above in B.1.1., the BCA relies on the MOICT and CBB in most cases to obtain information relevant to a partner’s request, but these agencies have strong, broad request powers to obtain the necessary information.

180. Bahrain experienced one issue in accessing accounting information during the review period: it was unable to obtain information regarding accounting records of a registered foreign company branch as the law at that time did not require it be kept in Bahrain. In response, Bahrain changed the CCL to require foreign companies to file audited financial statements in Bahrain (see discussion in A.2 above); this requirement is applicable to financial periods after 2014.

181. Bahrain received 11 requests for accounting information during the review period. Other than the single instance of failure described above, peers did not indicate any other issues in this area during the review period.

B.1.3. Use of information gathering measures absent domestic tax interest

182. Under the Decree adopting ITL 1979, the MOF has limited powers to obtain any ownership information not required to be directly kept by taxpayers. The powers MOF has to inspect accounting documents of taxpayers can only be used “for the purpose of carrying out the provisions of the Decree 1979” (article 10). Because EOI is not part of the Decree, technically MOF cannot use its tax inspection powers for EOI purposes.

183. However, the Legislative and Legal Opinion Commission (LLOC) has confirmed that treaties prevail over laws in Bahrain, and considers that Article 26(1) of the EOI provisions of the treaties is sufficient to extend powers for the competent authority to obtain information that is not otherwise allowed under the tax law. Therefore, Bahrain’s DTCs and TIEAs would meet the standard whether or not they contain an equivalent of Model Article 26(4). Nonetheless, Bahrain should continue to monitor that its legal regime permits the necessary access to information needed to appropriately respond to EOI requests

B.1.4. Effective enforcement provisions to compel the production of information

184. As explained in the 2013 report (paragraphs 198-202), Bahrain has broad powers to compel information, with the MOICT, IGA and CBB possessing strong supervisory and inspections powers to access requested information, including the imposition of penalties for non-compliance.

185. If failure to respond to an agency’s request for information is considered a criminal act under the relevant laws, then the Public Prosecutor would be able to institute a criminal proceeding in the courts.

186. Bahrain informs that no compulsory process has ever been necessary to obtain information for EOI purposes.

B.1.5. Secrecy provisions

(a) Bank secrecy

187. Normally, for domestic purposes, banks and other financial institutions are prohibited by the confidentiality provisions of the CBBL (articles 116-120) from disclosing any private customer information. Breach of the confidentiality rules can result in imprisonment and/or a fine not exceeding BHD 10 000 (approximately USD 26 600).

188. However, CBBL article 117 lifts the confidentiality rule for EOI purposes, as the disclosure of such information is “done in compliance with ... any international agreements to which the Kingdom is a signatory,” thus permitting the CBB to disclose it as necessary to the BCA.

189. Were a bank to refuse to disclose information for EOI purposes, it would be in breach of its license obligations and could be subject to significant sanction by the CBB, ranging from a formal warning or other regulatory action (up to revocation of its license).

190. During the on-site visit, representatives of the banking sector confirmed that financial institutions are well aware of the exception to banking secrecy for EOI requests. BCA also confirmed that they have not had access issues in obtaining information from banks pursuant to the powers set out in the CBBL to override confidentiality.

(b) Professional privilege

191. The 2016 ToR protects communications which are “produced for the purposes of seeking or providing legal advice”. As mentioned in the 2013 report (paragraphs 209-211), the definition of the attorney-client privilege in Bahrain might be construed broader in practice than what the ToR allows as it could cover activity beyond the attorney acting in a role as a legal adviser.

192. However, the Bahraini authorities believe that the EOI provisions of their DTCs and TIEAs prevail over any domestic law confidentiality and secrecy provisions, and intend to interpret the requirement to not disclose any “professional secret[s]” in accordance with the Model Tax Convention and Model TIEA commentaries.

193. There have been no issues in practice regarding a claim of privilege to avoid responding to an EOI request during the current review period.

Conclusion

194. At the present time, there has been no case testing whether an attorney can successfully invoke the legal privilege to avoid answering an EOI request. Bahrain should carefully monitor claims regarding attorney-client privilege to ensure that they do not impede access to the effective exchange of information.

B.2. Notification requirements, rights and safeguards

The rights and safeguards (e.g. notification, appeal rights) that apply to persons in the requested jurisdiction should be compatible with effective exchange of information.

195. Application of rights and safeguards in Bahrain does not restrict the scope of information that the tax authorities can obtain. The 2013 Phase 2 report found the notification rules and safeguards in Bahrain to be in line with the standard. No material changes to the applicable legal framework have occurred over the review period.

196. The updated table of determinations and ratings remains as:

Legal and Regulatory Framework		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of the legal and regulatory framework		
Determination: In Place		
Practical Implementation of the standard		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of EOIR in practice		
Rating: Compliant		

B.2.1. Rights and safeguards should not unduly prevent or delay effective exchange of information

197. Rights and safeguards should not unduly prevent or delay effective exchange of information. For instance, notification rules should permit exceptions from prior notification (e.g. in cases in which the information request is of a very urgent nature or the notification is likely to undermine the chance of success of the investigation conducted by the requesting jurisdiction).

198. The 2013 report noted (paragraphs 213-218) that Bahrain's ITL 1979 treats income tax declarations as confidential, limits inspection to the Minister of Finance (or authorised delegate), and strictly prohibits disclosure of the declaration and related taxpayer documents. The effect of the ITL then seems to restrict this class of documents from exchange with partners, which would not be in line with the standard. However, Bahrain's position as noted in the report is that its EOI powers under bilateral instruments trump domestic laws like the ITL, and furthermore that the information could be accessed by another government agency not subject to the ITL (such as the MOICT).

199. Pending before the legislature since 2013 is a draft law to adopt a stand-alone EOI Act that would provide express access powers to the competent authority by requiring the keeping of business records and allow access to any other requested information for EOI purposes. The proposed EOI Act remains under legislative consideration with no anticipated timeline for adoption.

200. When an EOI request requires obtaining information from a third-party record holder, Bahrain only provides the minimum information necessary to identify the taxpayer and what information is being requested. No specific template is followed in making an information request as each request is determined based on the particular facts of each case.

201. Bahrain reports that the taxpayers who are the subject of the information requests do not have any rights to notice by the third-party record holders that their information is being requested by authorities. The 2016 ToR added to the standard an exception from time-specific, post-exchange notification requirement that would allow a requested jurisdiction to not notify the accountholder in cases where notification is likely to undermine the chance of success of the investigation conducted by the requesting jurisdiction. Because Bahrain does not allow for any notification rights, this part of the standard is not an issue.

202. Under the Bahrain Constitution, any resident can file an appeal to the civil courts if he or she considers an administrative act to be *ultra vires* (i.e. outside the scope of the government's authority); this would include administrative measures taken to answer an EOI request. However, Bahrain notes that no actions regarding EOI requests have resulted in claims of *ultra vires*.

203. During the review period, no practical difficulties have been experienced by Bahrain with regard to the notification requirement, in the case of banks, or any other rights and safeguards, such as appeal rights.

Part C: Exchanging information

204. Sections C.1 to C.5 evaluate the effectiveness of Bahrain’s EOI in practice by reviewing its network of EOI mechanisms – whether these EOI mechanisms cover all its relevant partners, whether there were adequate provisions to ensure the confidentiality of information received, whether they respect the rights and safeguards of taxpayers and third parties, and whether Bahrain could provide the information requested in an effective manner.

C.1. Exchange of information mechanisms

Exchange of information mechanisms should provide for effective exchange of information.

205. The 2013 report found that Bahrain’s exchange of information mechanisms were in line with the standard, resulting in a determination of the legal framework as “in place” and a rating for element C.1 as Compliant.

206. Bahrain’s EOI network now covers 50 partners, of which 47 are in force and allow Bahrain to effectively exchange information. Since 2013, Bahrain added 10 new bilateral partners to its EOI network and negotiated protocols to previous agreements with 6 partners; all such new agreements appear in line with the standard.

207. Bahrain has also ratified the multilateral Convention on Mutual Administrative Assistance in Tax Matters as amended on 3 May 2018, which entered into force on 1 September 2018. Approximately 70 new partners will be added once the Multilateral Convention is in force with regard to Bahrain.

208. Although Bahrain does not have a specific law that permits EOI for tax purposes, its Constitution indicates that ratified treaties have the force of law and prevail over other legislation, a position confirmed by the LLOC.

209. Bahrain generally does not currently exchange information automatically or spontaneously, primarily because it has a limited tax system. However, Bahrain began automatic exchange with the U.S. of reportable accounts in September 2017 under a FATCA Intergovernmental Agreement.

Bahrain will also begin exchanging certain financial account information automatically under the Common Reporting Standard in September 2018.

210. The updated table of determinations and ratings remains as:

Legal and Regulatory Framework		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of the legal and regulatory framework		
Determination: In Place		
Practical Implementation of the standard		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of EOIR in practice		
Rating: Compliant		

C.1.1. Foreseeably relevant standard

211. Exchange of information mechanisms should allow for exchange of information on request where it is foreseeably relevant to the administration and enforcement of the domestic tax laws of the requesting jurisdiction. This concept, as articulated in Article 26 of the OECD Model Tax Convention, is to be interpreted broadly, but does not extend so far as to allow for “fishing expeditions”. The Article 26 commentary recognises that the standard of “foreseeable relevance” can be met when alternative terms are used in an agreement, such as “necessary” or “relevant”. Bahrain confirmed that it would interpret these terms according to the standard of foreseeable relevance that is consistent with the scope of Article 26(1) of the OECD Model Tax Convention.

212. In the 2013 report, all but a few of Bahrain’s DTCs met the “foreseeably relevant” standard. The treaty with the United Kingdom uses the term “may be relevant”, and DTCs with Algeria, Belarus, Brunei Darussalam, China, Iran, Lebanon, Pakistan, the Philippines, and Uzbekistan use the term “necessary”. In addition, the EOI protocol with China and the DTC with Egypt both refer to “such information as is relevant”, and the DTC with Tajikistan refers to “foreseeably necessary” information. As noted in the 2013 report, Bahrain confirms that it adheres to the interpretation set out in Model Article 26 and treats all EOI mechanisms it has signed as meeting the “foreseeably relevant” standard.

213. Since the last review, Bahrain has had a protocol with Brunei Darussalam enter into force that brings the bilateral agreement into line with the standard; Bahrain has also signed protocols with Morocco, the Philippines, and Thailand that will create express EOI provisions in line with the standard. Any other problems with outstanding partners regarding foreseeable relevance will largely be remedied once the multilateral Convention on Mutual Administrative Assistance in Tax Matters, which has been ratified by Bahrain on 3 May 2018, enters into force 1 September 2018.

214. All of Bahrain’s new EOI arrangements being negotiated include the term “foreseeably relevant” in their EOI articles.

215. To facilitate processing of EOI requests, Bahrain asks its partners to make EOI requests using a specific form that is available on the competent authority website; the form follows the model EOI manual. Bahrain has never declined an EOI request on the basis that the request was not made using the specified form.

216. During the peer review period, Bahrain did not refuse to answer any EOI requests on the basis of lack of foreseeable relevance and there were no cases where it requested clarification on belief that the request was overly broad or vague.

217. There is no indication that any of Bahrain’s EOI agreements contains language prohibiting group requests, and the process for responding to group requests is the same as for any other request for information. Bahrain does not require any specific information to be provided by the requesting jurisdiction in the case of a group request beyond what is in the model, and would interpret foreseeable relevance in line with the standard with such requests. The competent authority interprets foreseeable relevance with respect to group requests in a similar manner as with regular requests. Over the review period, Bahrain received no group requests.

218. One peer raised an issue regarding Bahrain’s answering of requests. During the review period, the peer sent 10 requests to Bahrain; for four³ of those requests, Bahrain declined to provide a response based on its belief that it lacked legal authority under the TIEA to answer requests for tax years preceding the entry into force of the EOI agreement.

219. The dispute arose from the language employed by the parties in the relevant article.

3. In the number of requests received from the peer is a duplicate request. Both requests ask for exactly the same information but were received 4 days apart and assigned two different reference numbers. Bahrain notes that thus while there are 4 declined cases, there are only 3 actual cases in dispute.

220. Bahrain makes clear that it did not decline to answer the peer’s four requests on grounds that such information was not foreseeably relevant.

221. Following the peer input, Bahrain and the peer have resolved the outstanding issue on a bilateral basis and Bahrain has started the process of replying to the requests. Regardless, there is no question of Bahrain’s commitment to exchanging foreseeably relevant information (or to its timely handling of requests under element C.5).

C.1.2. Provide for exchange of information in respect of all persons

222. Bahrain law contains no restrictions on persons in respect of whom information may be exchanged. The 2013 report found that three of Bahrain’s EOI agreements did not expressly include language indicating there is to be no restriction of jurisdictional scope of the exchange of information provisions to persons to which the treaty provisions applied, but concluded the language used in the agreements nevertheless allowed for EOI in respect of all persons. No issues regarding jurisdictional scope have been raised by peers in the current review period.

C.1.3. Obligation to exchange all types of information

223. Article 26 of the OECD Model Tax Convention and the OECD Model TIEA both require the exchange of all types of information, including bank information, information held by a fiduciary or nominee, or information concerning ownership interests. Most of Bahrain’s DTCs specifically include language that a contracting state may not decline to supply information based on the type of person holding the requested information. DTCs with Algeria, Belarus, Iran, Lebanon, Pakistan, and the Philippines (until the 2017 EOI protocol enters into force) are silent on this issue, but there is no interpretation by Bahrain that would prohibit the exchange of such information.

224. The 2013 report noted that the domestic laws of Brunei Darussalam and Lebanon contain restrictions on access to and exchange of banking information which might impact EOI, but these jurisdictions have since amended their laws to remove any access issues for EOI. Even if access problems still existed in these or any other jurisdictions, Bahrain indicates it would not apply the principle of reciprocity and would exchange all foreseeably relevant banking information with any treaty partner.

225. No issues have been identified by peers over the present review period affecting Bahrain’s ability to exchange all types of information pursuant to a request. During the current review period, banking information was requested in 10 cases and obtained by Bahrain; there has been no impediment in responding to those requests arising from the legal framework in place or access to the bank information.

C.1.4. Absence of domestic tax interest

226. EOI partners must be able to use their information gathering measures even though invoked solely to obtain and provide information to the requesting jurisdiction. The 2013 report noted that most of the DTCs and all of the TIEAs that Bahrain had with its partners explicitly included language requiring information-gathering measures without regard to a domestic tax interest. While a small number of DTCs were silent on this point, there is no interpretation by Bahrain that would prohibit the exchange of such information under such agreements.

227. Indeed, because Bahrain has a very limited tax system, in practice nearly all requests from a treaty partner will involve obtaining information that Bahrain will not need for its own tax purposes. Yet Bahrain has exchanged information for all valid EOI requests received during the review period with no problem, and no issues were raised in peer input.

C.1.5. Absence of dual criminality principles

228. All of Bahrain's EOI agreements require the exchange of information regardless of whether the conduct under investigation, if committed in Bahrain, would constitute a crime. No issues in respect of dual criminality were identified in the 2013 report and no such issues arose over the current review period (Bahrain was able to exchange information arising from requests involving criminal tax matters).

C.1.6. Exchange information relating to both civil and criminal tax matters

229. All of Bahrain's EOI agreements provide for exchange of information in both civil and criminal matters. In practice, Bahrain answered all requests during the review period, whether they related to civil or criminal tax matters. Peers have not raised any issues in practice.

C.1.7. Provide information in specific form requested

230. There are no restrictions in Bahrain's DTCs or laws that would prevent it from providing information in a specific form. During the review period, Bahrain reports that it provides information in the specific form requested by a partner, if so indicated.

C.1.8. Signed agreements should be in force

231. Exchange of information cannot take place unless a jurisdiction has exchange of information arrangements in force. The international standard requires that jurisdictions take all steps necessary to bring exchange of information arrangements that have been signed into force expeditiously.

232. Bahrain's EOI network currently consists of 47 bilateral agreements which are in force. Bahrain has ratified the multilateral Convention on Mutual Administrative Assistance in Tax Matters on 3 May 2018, which entered into force on 1 September 2018.

EOI Bilateral Mechanisms

	Total	Total bilateral instruments not complemented by the Multilateral Convention
A Total Number of DTCs/TIEAs (A=B+C)	50	10 (Algeria, Bangladesh, Belarus, Egypt, Iran, Sri Lanka, Tajikistan, Thailand, Turkmenistan, Uzbekistan)
B Number of DTCs/TIEAs signed (but pending ratification), i.e. not in force (B = D + E)	3	
C Number of DTCs/TIEAs signed and in force (C = F + G)	47	
D Number of DTCs/TIEAs signed (but pending ratification) and to the Standard	2 (Morocco, Philippines)	
E Number of DTCs/TIEAs signed (but pending ratification) and not to the Standard	1 (Egypt)	
F Number of DTCs/TIEAs in force and to the Standard	38	
G Number of DTCs/TIEAs in force and not to the Standard	9 (Algeria, China, Egypt, Lebanon, Pakistan, Philippines, Tajikistan, United Kingdom, Uzbekistan)	

Note: The Multilateral Convention was signed by Bahrain in 2017 and ratified in 2018; it entered into force 1 September 2018. This table thus reflects, as of the date of the report, which EOI partners of Bahrain would not be affected by entry into force of the Multilateral Convention.

233. The average time between the signature of a new EOI instrument and its ratification is now twelve months.

234. Bahrain currently has several signed EOI instruments with partners that are not yet in force. It has ratified agreements with Morocco and the

Philippines that are awaiting ratification by the partner jurisdictions. A DTC with Egypt (signed in 2016) is in the process of ratification by Bahrain. Bahrain should continue to monitor that signed agreements are brought into force expeditiously.

C.1.9. Be given effect through domestic law

235. For information exchange to be effective, the parties to an EOI arrangement must enact any legislation necessary to comply with the terms of the arrangement. Bahrain has in place the legal and regulatory framework to give effect to its EOI mechanisms.

236. The Bahrain Constitution requires certain international instruments, such as DTCs and TIEAs, to be promulgated by law to be valid. The LLOC prepares a draft law based on the signed instrument and submits it to the Council of Ministers for approval, following which the draft law is sent to the National Assembly. After legislative enactment, a DTC or TIEA is given the force of law once ratified by His Excellency the King and published in the Official Gazette.

237. As discussed in Part B of this report, Bahrain's authorities have access powers as a result of the direct applicability of the DTCs and TIEAs.

238. As noted in the 2013 report (paragraph 261), Bahrain's DTC with Algeria contains a restrictive provision that prevents it from exchanging information until a new tax law is adopted. Bahrain has sought to update the DTC with Algeria to remedy this defect, but reports slow progress.

C.2. Exchange of information mechanisms with all relevant partners

The jurisdiction's network of information exchange mechanisms should cover all relevant partners.

239. Bahrain has continued to expand its network of EOI agreements in place since the 2013 report. Overall, Bahrain has a network of 50 signed EOI agreements – including 12 that have been signed since 2013 – with 47 of those agreements in force.

240. Importantly, Bahrain ratified the multilateral Convention for Mutual Administrative Assistance in Tax Matters on 3 May 2018, which entered into force on 1 September 2018.

241. The 2013 report included a recommendation that Bahrain continue to develop its EOI network. Since the last review, Bahrain has had discussions with a number of current treaty partners about either updating DTCs (or adopting a protocol) and continued to pursue TIEA negotiations until the Multilateral Convention was ratified.

242. Bahrain has never refused to enter into an agreement for exchange of information with any potential partner and continues to actively engage in negotiations with prospective treaty partners. But one peer noted that despite concluded negotiations for an EOI agreement in 2014, signature by Bahrain lagged for several years, depriving the peer of an EOI relationship during the review period; Bahrain has reached out to the partner. Bahrain is recommended to continue efforts developing its exchange of information network with all relevant partners.

243. The updated table of determinations and ratings is as follows:

Legal and Regulatory Framework		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of the legal and regulatory framework	Bahrain is actively negotiating a number of new TIEAs, DTCs and protocols.	Bahrain should continue to develop its network of EOI mechanisms (regardless of their form) with all relevant partners.
Determination: In place		
Practical Implementation of the standard		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of EOIR in practice		
Rating: Compliant		

C.3. Confidentiality

The jurisdiction's information exchange mechanisms should have adequate provisions to ensure the confidentiality of information received.

244. The 2013 Phase 2 report concluded that the applicable treaty provisions and statutory rules that apply to officials with access to treaty information and the practice in Bahrain regarding confidentiality were in accordance with the standard.

245. Since the 2013 report, Bahrain has continued to ensure that its EOI confidentiality practices meet the high requirements of the standard.

246. The updated table of determinations and ratings remains as:

Legal and Regulatory Framework		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of the legal and regulatory framework		
Determination: In Place		
Practical Implementation of the standard		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of EOIR in practice		
Rating: Compliant		

C.3.1. Information received: disclosure, use and safeguards

247. The 2013 report stated that all of Bahrain’s DTCs had confidentiality provisions based on some version of an OECD model tax convention. At the time of the report, some of the DTCs (Algeria, Belarus, and Lebanon) departed from the text regarding confidentiality in Model Article 26(2) by restricting disclosure to persons concerned with the assessment and collection of taxes and tax disputes, leading to a suggestion that such agreements be updated. Bahrain has since signed a protocol to the DTC with Belarus that remedies the outlined deficiency, and has indicated its openness to sign similar protocols with the other two jurisdictions.

248. As explained in the 2013 report (paragraph 273), the confidentiality provisions of the DTCs with Algeria, Belarus, China and the Philippines do not refer to the confidentiality provision of the domestic laws of the contracting states, but this is not an impediment as Bahraini officials are still bound by domestic law.

249. As explained in the 2013 report (paragraphs 270 – 282), Bahrain has strict confidentiality provisions in its domestic legislation that impose strong sanctions on any public official that discloses confidential information, including information arising from or pursuant to an EOI request.

250. Not only do all Bahraini public employees undergo trainings that include information on applicable confidentiality policies, but public officials at the MOF, CBB, IGA and MOICT receive specific instruction on the confidentiality of EOI requests and must sign EOI confidentiality statements.

251. Disclosure of EOI information outside of the BCA contains a confidentiality notice and is limited to the minimum information necessary to provide a stakeholder with the ability to act on a request. For example, in the case of individuals, the BCA provides the name and passport number (if known); for companies and partnerships, the trading name and owner information would be provided; and for requests to the CBB, bank account information (if known) would be provided. Although not required under the standard, based on Bahrain’s practice, the name of the requesting jurisdiction is never given to the stakeholder.

252. Access to data received from partners through EOI is limited only to BCA officers. All hard copy information received concerning an EOI request is stamped confidential and kept in binders that are locked in a safe in the ETD offices. Documents are disposed of securely in accordance with statutory requirements.

253. The MOF building is situated in a restricted area where vehicular and pedestrian traffic is monitored upon arrival and departure by CCTV. The MOF building is physically guarded by armed police personnel and CCTV. Public access is usually allowed only by appointment and then only upon production of an official picture ID (such as resident card, passport or driving license). Non-government employees must obtain temporary visitors’ identity cards at MOF and all employees and visitors enter and exit via electronically controlled gates. All public areas in the MOF building are CCTV monitored and visitors must return their temporary identity cards upon leaving.

254. There have been no instances in Bahrain where information received by the competent authority from an EOI partner has been improperly disclosed.

C.3.2. Confidentiality of other information

255. Confidentiality rules should apply to all types of information exchanged, including information provided by a requesting jurisdiction in a request, information transmitted in response to a request and any background documents to such request. Bahrain authorities confirm that in practice they consider all types of information relating to an EOI request confidential (including communications between Bahrain and the requesting jurisdiction).

C.4. Rights and safeguards of taxpayers and third parties

The information exchange mechanisms should respect the rights and safeguards of taxpayers and third parties.

256. The international standard allows requested parties to not supply information in response to a request in certain identified situations where

an issue of trade, business or other secret may arise. Among other reasons, an information request can be declined where the requested information would disclose confidential communications protected by the attorney-client privilege.

257. The 2013 Phase 2 report concluded that Bahrain’s legal framework and practices concerning the rights and safeguards of taxpayers and third parties was in line with the standard and element C.4 was determined to be “in place” and Compliant, with no recommendations made. No relevant changes have occurred since the last review.

258. The updated table of determinations and ratings remains as:

Legal and Regulatory Framework		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of the legal and regulatory framework		
Determination: In Place		
Practical Implementation of the standard		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of EOIR in practice		
Rating: Compliant		

C.4.1. Exceptions to requirement to provide information

259. All of Bahrain’s EOI mechanisms contain a provision which ensures that the contracting States are not obliged to provide information which would disclose any trade, business, industrial, commercial or professional secret, trade process or information the disclosure of which would be contrary to public policy.

260. Article 29 of the Legal Practice Act 1980 (Leg. Decree No. 26 of 1980) states that: “Any lawyer, who acquires in the course of his practice knowledge of any incident or information, concerning his client may not disclose it even after the expiry of his appointment as attorney unless he intends to prevent a crime or misdemeanour, or report its occurrence”. Bahrain interprets this definition similar to the OECD Model Tax Convention, as secrecy only applies when a lawyer is acting in a professional capacity as a legal representative. The Bahrain authorities treat the exchange provisions of their

EOI mechanisms as prevailing over any confidentiality and secrecy provisions in domestic law. Therefore, Bahrain interprets the application of the law in EOI cases in light of the Commentaries to the Model Tax Convention, including on the proper definition of the attorney-client privilege.

C.5. Requesting and providing information in an effective manner

The jurisdiction should request and provide information under its network of agreements in an effective manner.

261. In order for exchange of information to be effective, jurisdictions should request and provide information under its network of EOI mechanisms in an effective manner. In particular:

- *Responding to requests*: Jurisdictions should be able to respond to requests within 90 days of receipt by providing the information requested or provide an update on the status of the request.
- *Organisational processes and resources*: Jurisdictions should have appropriate organisational processes and resources in place to ensure quality of requests and quality and timeliness of responses.
- *Restrictive conditions*: EOI assistance should not be subject to unreasonable, disproportionate, or unduly restrictive conditions.

262. The 2013 Phase 2 report concluded that Bahrain had adequate resources and organisational processes in place to handle incoming EOI requests, but because Bahrain had not yet actually received any incoming requests at that time, was recommended to monitor implementation of its procedures once it started receiving requests.

263. Bahrain received 15 requests from treaty partners during the current review period and was in all cases where responses were provided able to exchange the requested information within 180 days.

264. In the one case where completely fulfilling the request took longer than 90 days (or shortly thereafter), Bahrain provided a status update to the partner, which is consistent with its outlined procedures.

265. The updated table of determinations and ratings is as follows:

Legal and Regulatory Framework
This element involves issues of practice. Accordingly, no determination has been made.

Practical implementation of the standard		
	Underlying Factor	Recommendations
Deficiencies identified in the implementation of EOIR in practice		
Rating: Compliant		

C.5.1. Timeliness of responses to requests for information

266. Over the period under review (1 July 2014 to 30 June 2017), Bahrain received a total of 15 requests for information. The following table relates to the requests received during the period under review and gives an overview of response times needed by Bahrain to provide a final response to these requests, together with a summary of other relevant factors impacting the effectiveness of Bahrain's exchange of information practice during the reviewed period:

		1 Jul 2014- 30 Jun 2015		1 Jul 2015- 30 Jun 2016		1 Jul 2016- 30 Jun 2017		Total	
		Num.	%	Num.	%	Num.	%	Num.	%
Total number of requests received	[A+B+C+D+E]	4	27	5	33	6	40	15	100
Full response: = 90 days		2	50	3	60	6	100	11	73
= 180 days (cumulative)		4	100	4	80	6	100	14	93
= 1 year (cumulative)	[A]	4	100	4	80	6	100	14	93
> 1 year	[B]	0	0	0	0	0	0	0	0
Declined for valid reasons		0	0	0	0	4	67	4	27
Outstanding cases after 90 days		2	50	1	20	0	0	3	20
Status update provided within 90 days (for outstanding cases with full information not provided within 90 days, responses provided > 90 days)		1	50	0	0	0	0	1	33
Requests withdrawn by requesting jurisdiction	[C]	0	0	0	0	0	0	0	0
Failure to obtain and provide information requested	[D]	0	0	1	20	0		1	7
Requests still pending at date of review	[E]	0	0	0	0	0	0	0	0

Notes: a. Bahrain counts each request with multiple taxpayers as one request, i.e. if a partner jurisdiction is requesting information about 4 persons in one request, Bahrain counts that as 1 request. If Bahrain received a further request for information that relates to a previous request, with the original request still active, Bahrain will append the additional request to the original and continue to count it as the same request.

b. The time periods in this table are counted from the date of receipt of the request to the date on which the final and complete response was issued.

267. As Bahrain had not yet received any EOI requests from treaty partners, the Phase 2 report had no specific recommendations regarding Bahrain's timely handling of requests.

268. The EOI procedures adopted by the BCA (and reflected in the EOI Manual) specifically instructs its EOI officers to provide a status update if a complete response to request cannot be given in 90 days. In practice, status updates were rarely necessary as Bahrain was able to provide requested information to partners within 90 days in most cases. Bahrain sent a status update to a partner in one case where the time needed to obtain the requested information exceeded 90 days. As Bahrain's volume of incoming EOI requests is anticipated to grow in the future, it should continue to ensure in practice that status updates are provided in accordance with the standard.

C.5.2. Organisational processes and resources

(a) Identification of competent authority

269. The competent authority of Bahrain (delegated to the director of the ETD) is clearly identified to partners on the MOF website and in the Global Forum's secure competent authorities database.

(b) Resources and training

270. The Bahrain competent authority currently comprises four staff – 3 members of the ETD (including the director) as well as a legal adviser from the MOF – that handle all incoming requests. The Director of the ETD is in charge of the competent authority function. The three BCA staff who are members of the ETD also have other duties as does the legal advisor who is part of LAO. However, all four BCA staff members are fully aware of the EIOR procedures and prioritise EOI requests when received in order to ensure the EOIR time limits under the procedures are met. ETD hired an additional staff member in 2017 and another two hires in 2018, all of whom will be added to the BCA team after their probation periods end.

271. Funding for handling EOI matters by BCA is provided within the larger budget for MOF, which has been sufficient to allow staff to attend EOI seminars and trainings, as well as provide for technology needs (such as IT security, physical safeguards, and computer equipment).

272. The BCA has an EOI Work Manual based on the Global Forum's model manual. The manual is an invaluable tool to the BCA Unit, setting out the proper procedures for handling requests, providing template forms for requesting information to fulfil a partner's request, and information on confidentiality. The work manual has been revised since 2013 to reflect the

change in delegation of competent authority powers. Bahrain should, where appropriate, update the manual, including information on group requests and application of the multilateral Convention (once in force).

273. The competent authority uses several performance measures to monitor the effective operation of the BCA unit. These indicators include: response time (to measure the length of time before a reply is issued); number of requests handled (to measure the BCA's workload); number of open cases and case age (to ensure that cases are being continually reviewed); and number of closed cases (to measure BCA unit accomplishments). These performance measures are used in the annual performance rating of each ETD officer.

(c) Incoming requests

274. All incoming mail from a foreign address addressed to the competent authority can only be opened first by the director of the ETD. Upon opening, a request is stamped by BCA with a confidentiality stamp and is kept in a separate binder stored in a safe in the ETD office. It is then entered into the EOIR log sheet, which consists of a password-protected Excel worksheet kept on a removable hard drive that is locked in the safe when not in use, and receives a unique reference number.

275. The BCA checks the authenticity of the request against its internal database (as well as the Global Forum competent authorities' database), and then examines whether the request complies with the in-force EOI agreement mechanism and meets the EOIR standard. BCA acknowledges receipt of an EOI request within 7 days and will request any clarifications at that time.

276. BCA uses e-mail reminders/follow-up flags to keep track of the status of pending cases, and the Excel log sheet includes response deadline dates and EOIR status updates. Information received by the BCA from other Bahraini agencies is discussed by the BCA members who check the information provided against the EOIR for relevance. The BCA accepts the information as accurate because the other government agencies take the necessary steps to ensure the information they hold is valid and correct. If there are questions regarding the information provided by the agencies, they are discussed with the agencies and further enquiries made if necessary. The BCA generally communicates with the requesting jurisdiction by encrypted e-mail, but will also use courier services or diplomatic channels to exchange information in accordance with the preference of the requesting jurisdiction.

(d) Outgoing requests

277. The 2016 ToR also addresses the quality of requests made by the assessed jurisdiction. Jurisdictions should have in place organisational processes and resources to ensure the quality of outgoing EOI requests.

278. Bahrain has not made any requests during the review period as the current tax system is limited to only a few companies in the oil and gas industry subject to income taxation. However, should Bahrain either expand its tax system or determine a need to make an outgoing request, it has already adopted procedures in its EOI Manual that instruct BCA personnel on how to do so.

C.5.3. Unreasonable, disproportionate or unduly restrictive conditions for EOI

279. Exchange of information should not be subject to unreasonable, disproportionate or unduly restrictive conditions. There are no factors or issues identified in Bahrain's laws that could unreasonably, disproportionately or unduly restrict effective EOI.

Conclusion

280. Bahrain has displayed no difficulty in responding to EOI requests in a timely manner, which has been verified by peer input. Bahrain's EOI organisational processes appear adequate for the current level of requests it receives. Based on a horizontal analysis of Bahrain's EOI practices, this element is determined to be rated as Compliant.

Annex 1. List of in-text recommendations

Issues may have arisen that have not had and are unlikely in the current circumstances to have more than a negligible impact on EOIR in practice. Nevertheless, there may be a concern that the circumstances may change and the relevance of the issue may increase. In these cases, a recommendation may be made; however, such recommendations should not be placed in the same box as more substantive recommendations. Rather, these recommendations can be mentioned in the text of the report. However, in order to ensure that the Global Forum does not lose sight of these “in text” recommendations, they should be listed in an annex to the EOIR report for ease of reference.

- **Element A.1** (paragraph 82): the CBB should ensure that AML-obligated persons conduct due diligence procedures in line with the rulebook guidelines regarding identification and verification of beneficial owners.
- **Element A.1** (paragraph 84): Pending passage of the draft law, Bahrain is recommended to continue to ensure that anonymous bearer shares cannot be issued.
- **Element A.2** (paragraph 140): Bahrain should continue to monitor application of new legal requirements to trusts/trust service providers and foreign companies.
- **Element B.1** (paragraph 183): Bahrain should continue to monitor that its legal regime permits the necessary access to information needed to appropriately respond to EOI requests
- **Element B.1** (paragraph 194): Bahrain should carefully monitor claims regarding attorney-client privilege to ensure that they do not impede access to the effective exchange of information.
- **Element C.1** (paragraph 234): Bahrain should continue to monitor that signed agreements are brought into force expeditiously.
- **Element C.2** (paragraph 242): Bahrain is recommended to continue efforts developing its exchange of information network with all relevant partners.

- **Element C.5** (paragraph 268): As Bahrain’s volume of incoming EOI requests is anticipated to grow in the future, it should continue to ensure in practice that status updates are provided in accordance with the standard.
- **Element C.5** (paragraph 272): Bahrain should, where appropriate, update the EOI work manual, including information on group requests and application of the multilateral Convention (once in force).

Annex 2. List of Bahrain's EOI mechanisms

Bilateral international agreements for the exchange of information

	EOI partner	Type of agreement	Signature	Entry into force
1	Algeria	DTC	11-Jun-2000	29-Sep-2003
2	Australia	TIEA	15-Dec-2011	15-Dec-2012
3	Austria	DTC	2-July-2009	1-Feb-2011
4	Bangladesh	DTC	22-Dec-2015	30-April-2018
5	Barbados	DTC	3-Dec-2012	16-July-2013
6	Belarus	DTC	27-Oct-2002	18-Aug-2008
7	Belgium	DTC Protocol	4-Nov-2007 23-Nov-2009	11-Dec-2014 11-Dec-2014
8	Bermuda	DTC	22-Apr-2010	29-Jan-2012
9	Brunei Darussalam	DTC Protocol	14-Jan-2008 18-Dec-2012	18-July-2009 31-Dec-2014
10	Bulgaria	DTC	26-Jun-2009	9-Nov-2010
11	Canada	TIEA	4-Jun-2013	3-Apr-2014
12	China (People's Republic of)	DTC Protocol	16-May-2002 15-Sep-2013	15-Aug-2002 1-Apr-2016
13	Cyprus ^a	DTC	9-Mar-2015	26-Apr-2016
14	Czech Republic	DTC	24-May-2011	10-Apr-2012
15	Denmark	TIEA	14-Oct-2011	5-Sep-2012
16	Egypt	DTC	26-Apr-2016	1-Aug-2018
17	Estonia	DTC	12-Oct-2012	23-Dec-2013
18	Faroe Islands	TIEA	14-Oct-2011	23-July-2013
19	Finland	TIEA	14-Oct-2011	11-July-2012
20	France	DTC Protocol	10-May-1993 7-May-2009	10-Aug-1994 1-Feb-2011
21	Georgia	DTC	18-July-2011	1-Aug-2012

	EOI partner	Type of agreement	Signature	Entry into force
22	Greenland	TIEA	14-Oct-2011	4-July-2012
23	Hungary	DTC	24-Feb-2014	19-Jun-2015
24	Iceland	TIEA	14-Oct-2011	15-Aug-2012
25	India	TIEA	31-May-2012	11-Apr-2013
26	Iran	DTC	19-Oct-2002	17-Nov-2007
27	Ireland	DTC	29-Oct-2009	9-Nov-2010
28	Isle of Man	DTC	3-Feb-2011	8-Mar-2012
29	Korea	DTC	1-May-2012	26-Apr-2013
30	Lebanon	DTC	7-Aug-2003	30-Sep-2005
31	Luxembourg	DTC	6-May-2009	10-Nov-2010
32	Malaysia	DTC Protocol	14-Jun-1999 14-Oct-2010	31-July-2000 20-Feb-2012
33	Malta	DTC	12-Apr-2010	28-Feb-2012
34	Mexico	DTC	10-Oct-2010	22-Feb-2012
35	Morocco	DTC Protocol	7-Apr-2000 25-Apr-2016	25-Feb-2001 Not in force
36	Netherlands	DTC	16-Apr-2008	24-Dec-2009
37	Norway	TIEA	14-Oct-2011	12-July-2012
38	Pakistan	DTC	27-Jun-2005	27-Oct-2009
39	Philippines	DTC Protocol	7-Nov-2001 13-Apr-2017	14-Oct-2003 Not in force
40	Portugal	DTC	26-May-2015	1-Nov-2016
41	Seychelles	DTC	24-Apr-2010	3-Feb-2012
42	Singapore	DTC Protocol	18-Feb-2004 14-Oct-2009	13-Dec-2004 29-Sep-2012
43	Sri Lanka	DTC	24-Jun-2011	11-July-2014
44	Sweden	TIEA	14-Oct-2011	15-Mar-2014
45	Tajikistan	DTC	28-May-2014	10-Feb-2016
46	Thailand	DTC Protocol	3-Nov-2001 25-Apr-2017	27-Dec-2003 28-Mar-2018
47	Turkey	DTC	14-Nov-2005	2-Sep-2007
48	Turkmenistan	DTC	9-Feb-2011	13-May-2012
49	United Kingdom	DTC	10-Mar-2010	19-Dec-2012
50	Uzbekistan	DTC	5-Jun-2009	12-Jan-2011

Notes: a. Note by Turkey: The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Convention on Mutual Administrative Assistance in Tax Matters (as amended)

The Convention on Mutual Administrative Assistance in Tax Matters was developed jointly by the OECD and the Council of Europe in 1988 and amended in 2010 (the Multilateral Convention).⁴ The Multilateral Convention is the most comprehensive multilateral instrument available for all forms of tax cooperation to tackle tax evasion and avoidance, a top priority for all jurisdictions.

The original 1988 Convention was amended to respond to the call of the G20 at its April 2009 London Summit to align it to the international standard on exchange of information on request and to open it to all countries, in particular to ensure that developing countries could benefit from the new more transparent environment. The Multilateral Convention was opened for signature on 1 June 2011.

Bahrain signed the amended Convention on 29 June 2017 and ratified it on 26 April 2018; it entered into force on 1 September 2018.

Currently, the Multilateral Convention is in force in respect of the following jurisdictions: Albania, Andorra, Anguilla (extension by the United Kingdom), Argentina, Aruba (extension by the Netherlands), Australia, Austria, Azerbaijan, Bahamas, Barbados, Bahrain, Belgium, Belize, Bermuda (extension by the United Kingdom), Brazil, British Virgin Islands (extension by the United Kingdom), Bulgaria, Cameroon, Canada, Cayman Islands (extension by the United Kingdom), Chile, China (People’s Republic of), Colombia, Cook Islands, Costa Rica, Croatia, Curaçao (extension by the Netherlands), Cyprus, Czech Republic, Denmark, Estonia, Faroe Islands (extension by Denmark), Finland, France, Georgia, Germany, Ghana,

4. The amendments to the 1988 Convention were embodied into two separate instruments achieving the same purpose: the amended Convention (the Multilateral Convention) which integrates the amendments into a consolidated text, and the Protocol amending the 1988 Convention which sets out the amendments separately.

Gibraltar (extension by the United Kingdom), Greece, Greenland (extension by Denmark), Grenada, Guatemala, Guernsey (extension by the United Kingdom), Hong Kong (China) (extension by China), Hungary, Iceland, India, Indonesia, Ireland, Isle of Man (extension by the United Kingdom), Israel, Italy, Japan, Jersey (extension by the United Kingdom), Kazakhstan, Korea, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macau (China) (extension by China), Malaysia, Malta, Marshall Islands, Mauritius, Mexico, Moldova, Monaco, Montserrat (extension by the United Kingdom), Nauru, Netherlands, New Zealand, Nigeria, Niue, Norway, Pakistan, Panama, Peru, Poland, Portugal, Romania, Russia, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Saudi Arabia, Senegal, Seychelles, Singapore, Sint Maarten (extension by the Netherlands), Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Tunisia, Turkey, Turks and Caicos Islands (extension by the United Kingdom), Uganda, Ukraine, United Arab Emirates, United Kingdom, and Uruguay.

In addition, the Multilateral Convention was signed by, or its territorial application extended to, the following jurisdictions, where it is not yet in force:⁵ Antigua and Barbuda, Armenia, Brunei Darussalam, Burkina Faso, Dominican Republic, El Salvador, Former Yugoslav Republic of Macedonia, Gabon, Jamaica, Kenya, Kuwait (entry into force on 1 December 2018), Liberia, Morocco, Paraguay (signature on 29 May 2018), Philippines, Qatar, and the United States (the original 1988 Convention is in force since 1 April 1995 and the amending Protocol was signed on 27 April 2010), and Vanuatu (entry into force on 1 December 2018).

5. Note: While the last date on which the changes to the legal and regulatory framework can be considered was 13 July 2018, changes to the treaty network that occur after that date are reflected in this Annex.

Annex 3. Methodology for the Review

The reviews are based on the 2016 Terms of Reference, conducted in accordance with the 2016 Methodology for peer reviews and non-member reviews, as approved by the Global Forum in October 2015 and the 2016-21 Schedule of Reviews.

This evaluation is based on the 2016 ToR, and has been prepared using the 2016 Methodology. The evaluation is based on information available to the assessment team including the exchange of information arrangements signed, laws and regulations in force or effective as at 18 July 2018, Bahrain's EOIR practice in respect of EOI requests made and received during the three year period from 1 July 2014 to 30 June 2017, Bahrain's responses to the EOIR questionnaire, information supplied by partner jurisdictions, as well as information provided by Bahrain's authorities during the on-site visit that took place from 13-15 March 2018 in Manama, Bahrain.

List of laws, regulations and other materials received

Commercial laws

Law of Commerce

Commercial Companies Law 2001

Commercial Register Law 2015

PCC Law 22 of 2016

ILP Law 18 of 2016

Trust Law 23 of 2016

Notary Public Decree 37 of 2017

MOICT Ministerial Order No. 173 (2017)

MOICT Ministerial Order No. 126 (2016)

Amendment to CCL (Law 50 of 2014)

Amendment to CCL (Law 28 of 2015)
MOICT EOIR Handling Procedure

Regulatory and anti-money laundering/anti-terrorist financing laws

AML Law 2001
CBB Law 2006
CBB Law Amendment (No. 34 of 2015)
CBB Law Amendment (No. 21 of 2016)
CBB Rulebooks
CBB EOIR RFI Procedure

Tax Laws

Income Tax Law (1979)

Authorities interviewed during on-site visit

Ministry of Finance
 Foreign Economic Relations Directorate
 Enterprise Tax Directorate
 Legal Affairs Office
Ministry of Interior
Ministry of Industry Commerce and Tourism
Ministry of Justice
Public Prosecutor
Central Bank of Bahrain
Information and eGovernment Authority

Current and previous reviews

This report is the third review of Bahrain conducted by the Global Forum. Bahrain previously underwent a review of its legal and regulatory framework (Phase 1) originally in 2011 and the implementation of that framework in practice (Phase 2) in 2013. The 2013 Report containing the conclusions of the first review was first published in November 2013 (reflecting the legal and regulatory framework in place as of August 2013).

The Phase 1 and Phase 2 reviews were conducted according to the terms of reference approved by the Global Forum in February 2010 (2010 ToR) and the Methodology used in the first round of reviews.

Summary of reviews

Review	Assessment team	Period under review	Legal framework as of (date)	Date of adoption by Global Forum
Round 1 Phase 1	Ms Idris Fidela Clarke of St. Kitts and Nevis; Mr Ioannis Anastasiou and Mr Iossif Fovakis of Greece; and Ms Gwenäelle Le Coustumer and Ms Renata Fontana of the Global Forum Secretariat.	n.a.	May 2011	August 2011
Round 1 Phase 2	Ms Idris Fidela Clarke of St. Kitts and Nevis; Mr Kaan Kasim of Turkey; and Ms Gwenäelle Le Coustumer of the Global Forum Secretariat.	1 January 2009 to 31 December 2011	August 2013	November 2013
Round 2	Ms Natasa Akkidou of Cyprus; Ms Nisrine Roudies of Morocco; and Mr Jeremiah Coder of the Global Forum Secretariat.	1 July 2014 to 30 June 2017	July 2018	12 October 2018

Annex 4. Bahrain’s response to the review report⁶

The Kingdom of Bahrain takes this opportunity to thank the Peer Review Group, the Secretariat and the Assessment Team for their efforts, professionalism and valuable comments throughout the peer review process.

Bahrain welcomes the outcome of the report, which reflects our continued progress in meeting the internationally agreed EOIR standard and we accept the overall rating of Compliant.

Bahrain is committed to taking the steps necessary to address the recommendations of the report. These will be reported to the Global Forum in our 2019 follow up report.

Finally, as a committed jurisdiction, we see this report as an opportunity for improvement and an incentive to ensure our continued implementation of the internationally agreed EOIR standard.

6. This Annex presents the Jurisdiction’s response to the review report and shall not be deemed to represent the Global Forum’s views.

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The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

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GLOBAL FORUM ON TRANSPARENCY AND EXCHANGE
OF INFORMATION FOR TAX PURPOSES

**Peer Review Report on the Exchange of Information
on Request BAHRAIN 2018 (Second Round)**

The Global Forum on Transparency and Exchange of Information for Tax Purposes is a multilateral framework for tax transparency and information sharing, within which over 150 jurisdictions participate on an equal footing.

The Global Forum monitors and peer reviews the implementation of international standard of exchange of information on request (EOIR) and automatic exchange of information. The EOIR provides for international exchange on request of foreseeably relevant information for the administration or enforcement of the domestic tax laws of a requesting party. All Global Forum members have agreed to have their implementation of the EOIR standard be assessed by peer review. In addition, non-members that are relevant to the Global Forum's work are also subject to review. The legal and regulatory framework of each jurisdiction is assessed as is the implementation of the EOIR framework in practice. The final result is a rating for each of the essential elements and an overall rating.

The first round of reviews was conducted from 2010 to 2016. The Global Forum has agreed that all members and relevant non-members should be subject to a second round of review starting in 2016, to ensure continued compliance with and implementation of the EOIR standard. Whereas the first round of reviews was generally conducted as separate reviews for Phase 1 (review of the legal framework) and Phase 2 (review of EOIR in practice), the EOIR reviews commencing in 2016 combine both Phase 1 and Phase 2 aspects into one review. Final review reports are published and reviewed jurisdictions are expected to follow up on any recommendations made. The ultimate goal is to help jurisdictions to effectively implement the international standards of transparency and exchange of information for tax purposes.

This report contains the 2018 Peer Review Report on the Exchange of Information on Request of Bahrain.

Consult this publication on line at <https://doi.org/10.1787/9789264306080-en>.

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