



المدير التنفيذي للرقابة المصرفية  
Executive Director of Banking Supervision

مملكة البحرين  
Kingdom of Bahrain

مؤسسة نقد البحرين  
BAHRAIN MONETARY AGENCY

EDBS/174/2005  
25 April 2005

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**Mr. Warren McGregor**  
IASB member  
International Accounting Standards  
First Floor, 50 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Mr. McGregor,

**IASB - Draft MoU**

Thank you for allowing the Bahrain Monetary Agency the opportunity to comment on the MoU.

I think the first point to make in considering this MoU is which body should sign it in the event that it becomes a formal document? Neither the Ministry of Commerce, nor the Bahrain Monetary Agency nor the Bahrain Accountants Association currently appear in an ideal position to sign the MoU as none of these bodies could truly be construed as a national **standard setter** in respect of accounting standards.

The Ministry, as pointed out in your letter of 18 February 2005 to the Ministry of Commerce – Bahrain, is the regulator of commercial **businesses** in Bahrain. The Agency is the supervisor of financial institutions operating in Bahrain. The Bahrain Accountants Society is an industry society, representing the interests of its members, however it does not have any statutory powers as a standard setter or regulatory body.

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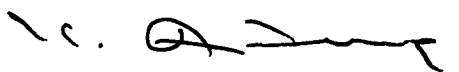
Although the Agency approves the appointment of a licensee's external auditor, and approves the accounting standards employed by licensees and their auditors in the preparation of their financial statements, it is **not** a standard setter, nor does it regulate the audit firms in Bahrain.

It would appear that some form of accounting standards board would need to be formed to satisfy the requirements of the Memorandum, otherwise it is not clear that there is a body currently in existence which satisfies the implicit requirements of the MoU. Currently, it would appear that either the Ministry, the Agency and the Society collectively and individually should sign the MoU or none at all should do so. The Agency could make some of the commitments in the MoU, at least in relation to its role as the supervisory body of the financial sector in the Kingdom. As far as certain other commitments are concerned (e.g. paragraphs 7.6 and 7.7), the Agency does not have the resources to make these commitments, nor does it have the legal authority to do so.

There is also a further practical issue with IFRS in Bahrain. Although the vast majority of licensees of the Agency located in Bahrain follow international accounting standards in the preparation of their financial statements, not all do. This is because the parent companies of some licensees implement their home country standards globally and so the Bahrain operations of some of these international groups employ standards other than IFRS.

Having said the above, I can confirm that the Agency is supportive of the MoU, but I doubt, that it could sign the MoU as it is currently worded. The Agency is quite clearly a "regulator" as described in Section 2 of the MoU, and could commit to convergence, subject to the proviso that some Bahraini branches of foreign financial institutions may be allowed to continue to follow their home country's accounting standards in the preparation of their financial statements.

Yours sincerely,



**Dr. Khalid Abdulla Ateeq**