

SUPPLEMENTARY INFORMATION
APPENDIX FC-8
Agreed-upon Procedures for testing
Compliance with Module FC (Financial
Crime)

PRIVATE AND CONFIDENTIAL

Date

The Board of Directors
XYZ B.S.C
P O Box xxx
Manama
Kingdom of Bahrain

**XYZ B.S.C. (the “Licensee”)
Agreed-upon procedures relating to compliance with Module FC (Financial Crime) of the CBB
Rulebook Volume 1**

Dear Sirs

We have performed the procedures agreed with you, and enumerated in the attached Appendix A with respect to the Licensee’s compliance with Module FC (Volume 1) of the Central Bank of Bahrain (the CBB) Rulebook (the “Rulebook”). The procedures were performed pursuant to the Licensee’s obligation under AU-3.3.1 and FC-4.3.1B of the Rulebook. The procedures performed were solely to assist you evaluating the Licensee’s compliance with Module FC of the Rulebook and cover the period from 1 January to 31 December 20XX. The procedures performed and our findings are set forth in Appendix A to this report.

Our engagement was undertaken in accordance with the International Standard on Related Services 4400 applicable to agreed-upon procedures engagements.

Because these agreed upon procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the transactions pertaining to the Licensee.

Had we performed additional procedures or had we performed an audit or review of the Licensee’s compliance with sound practices in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and is for the information of the Licensee and the CBB and is not to be used for any other purpose or to be distributed in whole or in part to any other parties. This report relates only to matter specified in the first paragraph of this report and does not extend to any financial statements of the Licensee, taken as a whole.

Yours faithfully

Name of Individual Signing the Report
Name of Firm
Manama, Kingdom of Bahrain

Attachment: Appendix A

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference to CBB Rulebook Volume 1</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
General Requirements			
Natural and Legal Persons Requirements			
1	FC-1.1.2A. FC-1.1.5 FC1.1.6 FC1.1.7 FC-1.1.8 FC1.1.13	For a sample of new business relationships, check and verify the documentation to confirm if the Licensee has obtained/complied with the following requirements: (a) Purpose and intended nature of the business relationship is recorded; (b) Signature of the customer(s); (c) Signed statement from all new customers confirming whether or not the customer is acting on their own behalf or for a beneficial owner; (d) Signed statement in above is obtained prior to conducting any transactions with the customer concerned; and (e) Where a customer is acting on behalf of a third party, a signed statement must be obtained from the third party; (f) In the case of minors, the Licensee has additionally verified the identity of the parent(s) or legal guardian(s); and (g) In the case of persons who have not completed the residency requirements, check that they present a formal contract of employment from a company in Bahrain and is currently awaiting for his formal Bahraini identification documents, unless it has serious reasons to decline opening the account.	

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2	FC-1.1.2	<p>For a representative sample selected from each segment of customers and class of transactions, check that the Licensee has implemented the customer due diligence measures outlined in Chapters 1, 2 and 3 when:</p> <ul style="list-style-type: none"> (a) Establishing business relations with a new or existing customer; (b) A change to the signatory or beneficiary of an existing account or business relationship is made; (c) A significant transaction takes place; (d) There is a material change in the way that the bank account is operated or in the manner in which the business relationship is conducted; (e) Customer documentation standards change substantially; (f) The licensee has doubts about the veracity or adequacy of previously obtained customer due diligence information; (g) Carrying out wire transfers irrespective of amount; or (h) There is a suspicion of money laundering or terrorist financing. 	
3	FC-1.1.2B FC-2.2.10	<ul style="list-style-type: none"> ➤ Obtain a list of all customers of the licensee and select a sample to describe the ongoing due diligence process that the Licensee undertakes in respect of business relationships and its scrutiny of transactions throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds. Such ongoing process should consider: <ul style="list-style-type: none"> a) Account activity and transaction behaviour; b) Patterns and unusual transactions; c) Consistency with licensee's knowledge of customer's use of the Licensee's products and services; d) Customer's business risk; e) Risk profile at the time of on-boarding and type of CDD undertaken; and f) Current assessment of risk. ➤ Test the framework of policies, process, techniques and tools including scenarios, algorithm, false negatives and the outcomes for ongoing due diligence and transaction monitoring. 	

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4	FC-1.11.6	<ul style="list-style-type: none"> ➤ Where the licensee applied simplified due diligence, check for a sample of transactions that the Licensee has at least used authenticated SWIFT messages as a basis for confirmation of the identity of a financial institution under FC-1.11.1 (d) and (e) where it is dealing as principal. ➤ Also check that the Licensee, for customers coming under Paragraph FC-1.11.1 (d) and (e), obtained and retained a written statement from the parent institution of the subsidiary concerned, confirming that the subsidiary is subject to the same AML/CFT measures as its parent. 	
<i>Customer Due Diligence – Verification of Identity and Source of Funds</i>			
5	FC-1.1.1 FC-4.2.1 FC-2.1.1	Check that the Licensee has established effective systematic internal procedures for establishing and verifying the identity of their customers and the source of their funds. Confirm that such procedures are set out in writing and approved by the licensee’s Board of Directors and senior management (as applicable).	
6	FC-1.1.1 FC-2.1.1 FC-2.1.2	<ul style="list-style-type: none"> ➤ Check that policies and procedures are set out in writing and approved by the licensee’s Board of Directors and senior management (as applicable). ➤ Determine and report on the frequency of revisions to AML/CFT policies and procedures and comment on its sufficiency. Document and report the date of the last review and approval. ➤ Check that the documented systems and controls and associated policies and procedures are in compliance with the requirements set out in the FC Module (FC-2.1.1). ➤ Check that the policies and procedures cover standards for customer acceptance, on-going monitoring of higher risk accounts, staff training, and adequate screening procedures to ensure high standards while hiring employees. 	
<i>Face-to-face Business</i>			
<i>Customer Due Diligence – Natural Persons</i>			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

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7	FC-1.2.1	<p>For each segment of customers and class of transactions and for a sample* that gives an adequate level of assurance, check that the Licensee has sighted the original document and recorded the following information (in hard copy or electronic form), <u>and before providing financial services</u> of any kind to customers:</p> <ul style="list-style-type: none"> (a) Full legal name and any other names used; (b) Full permanent address (i.e. the residential address of the customer; a post office box is insufficient); (c) Date and place of birth; (d) Nationality; (e) Passport number (if the customer is a passport holder); (f) CPR or Iqama number (for residents of Bahrain or GCC states); (g) Telephone/fax number and email address (where applicable); (h) Occupation or public position held (where applicable); (i) Employer's name and address (if self-employed, the nature of the self-employment); (j) Type of account, and nature and volume of anticipated business dealings with the licensee is recorded; (k) Signature of the <u>customer(s)</u>; and (l) Source of funds. <p>*The Auditors shall use statistical sampling techniques and select samples having considered the quality of internal control environment to decide on the level of assurance needed. When relying on internal controls, the auditor should document and attach to the AUP report findings of such assessment. The samples selected must consider all classes of transactions, products or services and the basis of sample selection must be reported.</p>	

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7 (a)	FC-1.2.3	<p>In respect of the testing of CDD process above, and for the sample selected, check that the Licensee has verified the information in Paragraph FC-1.2.1 (a) to (f) by the following methods below; at least one of the copies of the identification documents mentioned in (a) and (b) below must include a clear photograph of the customer:</p> <p>(a) Confirmation of the date of birth and legal name, by taking a copy of a current valid official original identification document (e.g. birth certificate, passport, CPR or Iqama);</p> <p>(b) Confirmation of the permanent residential address by taking a copy of a recent utility bill, bank statement or similar statement from another licensee or financial institution, or some form of official correspondence or official documentation card, such as CPR, from a public/governmental authority, or a tenancy agreement or record of home visit by an official of the Licensee; and</p> <p>(c) Where appropriate, direct contact with the customer by phone, letter or email to confirm relevant information, such as residential address.</p>	
8	FC-1.2.4	<ul style="list-style-type: none"> ➤ Based on a sample selected, check that the Licensee ensures that documents copied for the purpose of identification verification are original. ➤ Based on a sample selected, check that authorised officials of the Licensee certify the copy by writing on it the words “originals sighted” with the date and signature. ➤ Based on a sample selected, check that equivalent measures are taken for electronic copies. 	
9	FC-1.2.5	<p>Where identity documents are not received by an authorised official of the licensee, based on a sample, check that the licensee has obtained certified copies from one of the following GCC or FATF member state:</p> <ul style="list-style-type: none"> (a) A lawyer; (b) A notary; (c) A chartered/certified accountant; (d) An official of a government ministry; (e) An official of an embassy or consulate; or (f) An official of another licensed financial institution or of an associate company of the licensee. 	

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Sr. No.	Reference to CBB Rulebook Volume 1	Procedures	Findings based on procedures performed
Customer Due Diligence – Anonymous and Nominee Accounts			
10	FC-1.1.9	<ul style="list-style-type: none"> ➤ Check that the Licensee has not established or kept anonymous accounts or accounts in fictitious names. Scan the system for code names, unusual names etc. in the customer database and general ledger. ➤ Also check that the Licensee asks to disclose the identity in accordance with the requirements in Chapter FC-1 where a nominee account, which is controlled by or held for the benefit of another person, is maintained. 	
Customer Due Diligence –Timing of Verification – Companies under Formation or New Arrivals			
11	FC-1.1.10	<ul style="list-style-type: none"> ➤ Check that the Licensee has not commenced a business relationship or undertaken a transaction with a customer before completion of the relevant customer due diligence measures specified in Chapters 1, 2 and 3. ➤ KYC verifications may be completed after the receipt of funds but no disbursement of funds takes place in any of the following cases: <ul style="list-style-type: none"> (a) Bahrain companies under formation which are being registered with the Ministry of Industry and Commerce; (b) Newly arrived persons in Bahrain who are taking up employment or residence; (c) Non-face-to-face business, or (d) The subsequent submission of CDD documents by the customer after initial face-to face contact. 	
Customer Due Diligence – Incomplete Customer Due Diligence			
12	FC-1.1.11	<ul style="list-style-type: none"> ➤ Where the Licensee is unable to comply with the requirements specified in Chapters 1, 2 and 3, check that the Licensee has considered whether it should freeze any funds received and file a suspicious transaction report; or to terminate the relationship; or not proceed with the transaction; or to return the funds to the counterparty in the same method as received. ➤ Describe the process and provide instances as may be relevant. 	
Customer Due Diligence – Non-Resident Accounts			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

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13	FC-1.1.13B	Obtain a list of entities for whom accounts were opened during the year and were under formation in the Kingdom of Bahrain at the time of account opening. For a sample of such cases, check that the Licensee has accepted the request for account opening only upon satisfying the following criteria: a) receipt of documents from the companies under formation providing evidence that it has applied for a commercial registration (CR); and b) is in the process of awaiting its final CR unless it has serious reasons to decline.	
14	FC-1.1.13G	Check that the Licensee has notified the Ministry of Industry, Commerce and Tourism when the account of companies under formation is classified as dormant and/or when the initial capital is withdrawn.	
15	FC-1.1.15	Obtain a list of the licensee's non-resident customers, and select a sample to check that the Licensee has informed non-resident customers, once the account is opened, for any services which may be restricted or otherwise limited as a result of their non-resident status.	

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

Customer Due Diligence - Legal Entities or Legal Arrangements (such as Trusts)		
16	FC-1.2.7	<p>Obtain a list of all legal entities or legal arrangements such as trusts, and select a sample* that gives an adequate level of assurance, check that the Licensee has obtained and recorded the following information from original identification documents, databases or websites, in hard copy or electronic form, to identify the customer (where the customer is a legal entity or legal arrangement such as a trust) and to take reasonable measures to verify its identity, legal existence and structure:</p> <ul style="list-style-type: none"> (a) The entity's full name and other trading names used; (b) Registration number (or equivalent); (c) Legal form and proof of existence; (d) Registered address and trading address (where applicable); (e) Type of business activity; (f) Date and place of incorporation or establishment; (g) Telephone, fax number and email address; (h) Regulatory body or listing body (for regulated activities such as financial services and listed companies); (i) The names of the relevant persons having a senior management position in the legal entity or legal arrangement; (j) Name of external auditor (where applicable); (k) Type of account, and nature and volume of anticipated business dealings with the licensee; and (l) Source of funds. <p>*The Auditors shall use statistical sampling techniques and select samples having considered the quality of internal control environment to decide on the level of assurance needed. When relying on internal controls, the auditor should document and attach to the AUP report findings of such assessment. The samples selected must consider all classes of transactions, products or services and the basis of sample selection must be reported.</p>

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

17	FC-1.2.8	<p>Based on the sample selected, check certified copies of the following documents, as applicable and depending on the legal form of the entity, and confirm that the Licensee has verified the information provided under FC-1.2.7, as applicable (depending on the legal form of the entity):</p> <ul style="list-style-type: none"> (a) Certificate of incorporation and/or certificate of commercial registration or trust deed; (b) Memorandum of association; (c) Articles of association; (d) Partnership agreement; (e) Board resolution seeking the regulated services (only necessary in the case of private or unlisted companies); (f) Identification documentation of the authorised signatories to the account (certification not necessary for companies listed in a GCC/FATF state); (g) Copy of the latest financial report and accounts, audited where possible (audited copies do not need to be certified); and (h) List of authorised signatories of the company for the account and a Board resolution (or other applicable document) authorising the named signatories or their agent to operate the account (resolution only necessary for private or unlisted companies). 	
18	FC-1.2.8A	<p>Based on a sample selected, check that the Licensee has identified and taken reasonable measures to verify the identity of beneficial owners, for customers that are legal persons, through verification of the following information:</p> <ul style="list-style-type: none"> (a) The identity of the natural person(s) who ultimately have a controlling ownership interest in a legal person, and (b) To the extent that there is doubt under (a) as to whether the person(s) with the controlling ownership interest is the beneficial owner(s), or where no natural person exerts control of the legal person or arrangement through other means; and (c) Where no natural person is identified under (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official. 	
19	FC-1.2.9	<p>Based on a sample selected, check that the Licensee has ensured that documents obtained to satisfy the requirements in FC-1.2.8 are certified in the manner specified in FC-1.2.4 to FC-1.2.6.</p>	

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

20	FC-1.2.11	<p>Based on a sample selected, check that the Licensee has obtained and documented the following due diligence information. These due diligence requirements must be incorporated in the licensee's new business procedures:</p> <ul style="list-style-type: none"> (a) Enquire as to the structure of the legal entity or trust sufficient 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 of the funds (if different); (b) Ascertain whether the legal entity has been or is in the process of being wound up, dissolved, struck off or terminated; (c) Obtain the names, country of residence and nationality of Directors or partners (only necessary for private or unlisted companies); (d) Require, through new customer documentation or other transparent means, updates on significant changes to corporate ownership and/or legal structure; (e) Obtain and verify the identity of shareholders holding 20% or more of the issued capital (where applicable). The requirement to verify the identity of these shareholders does not apply in the case of FATF/GCC listed companies; (f) In the case of trusts or similar arrangements, establish the identity of the settler(s), trustee(s), and beneficiaries (including making such reasonable enquiries as to ascertain the identity of any other potential beneficiary, in addition to the named beneficiaries of the trust); and (g) Where a licensee has reasonable grounds for questioning the authenticity of the information supplied by a customer, conduct additional due diligence to confirm the above information. 	
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Sr. No.	Reference	Procedures	Findings based on procedures performed
Enhanced Customer Due Diligence: General Requirements			
21	FC-1.3.1	Obtain a list of higher risk customers and check, by testing a sample selection of such customers that the Licensee has performed enhanced customer due diligence on those customers identified as having a higher risk profile, and additional inquiries made or information obtained in respect of those customers.	
Enhanced Customer Due Diligence: Non face-to-face Business and New Technologies			
22	FC-1.4.1	<ul style="list-style-type: none"> ➤ Based on a sample selected, check that the Licensee has established specific procedures for verifying customer identity where no face-to-face contact takes place. ➤ Describe the procedures for customer identification and for verification of customer identity documentation. 	
23	FC-1.4.2	<p>Obtain a list of non-face-to-face business customers and select a sample of such customers, check that the Licensee has taken additional measures for non-face-to-face contacts to those specified measures in Section FC-1.2 in order to mitigate the potentially higher risk associated with such business. In particular, Licensees must take measures:</p> <p>(a) To ensure that the customer is the person they claim to be; and (b) To ensure that the address provided is genuinely the customer's.</p>	
24	FC-1.4.4	<ul style="list-style-type: none"> ➤ Check that the Licensee has established procedures to prevent the misuse of technological developments in money laundering or terrorist financing schemes, specifically Licensees which provide significant electronic and internet banking services to their customers, should connect a programme to such systems to highlight all unusual transactions so as to enable the concerned Licensee to report such transactions. Describe such programme/tool/system used and comment on sufficiency of the controls. ➤ Check the processes established to ensure compliance with e-commerce laws and/or CBB directives or regulations issued from time to time as appropriate with respect to AML/CFT. 	

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

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25	FC-1.4.5	<ul style="list-style-type: none"> ➤ Check and comment on the policy and procedure that the Licensee uses to ensure it has identified and assessed the money laundering or terrorist financing risks that may arise in relation to: <ul style="list-style-type: none"> (a) The development of new products and new business practices, including new delivery mechanisms; and (b) The use of new or developing technologies for both new and pre-existing products. ➤ Obtain a listing of new products or services and check how the above procedures were applied. 	
26	FC-1.4.6	<ul style="list-style-type: none"> ➤ For a sample selection, check that the Licensee has implemented risk assessment prior the launch of new products, business practices or the use of new or developing technologies. ➤ Check that the Licensee has established measures to manage and mitigate those risks. 	
<i>Enhanced Customer Due Diligence: Politically Exposed Persons ('PEPs')</i>			

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27	FC-1.5.1 FC-1.5.2 FC-1.5.3 FC-1.5.3A	<ul style="list-style-type: none"> ➤ Check and confirm that the Licensee has established appropriate risk management systems to determine whether a customer or beneficial owner is a Politically Exposed Person ('PEP'), both at the time of establishing business relations and thereafter on a periodic basis. ➤ Check that the Licensee has utilized publicly available databases and information to establish whether a customer is a PEP. ➤ Check that the Licensee has established a client acceptance policy with regard to PEPs, taking into account the reputational and other risks involved. ➤ Based on a sample selected, check that the Licensee has obtained senior management approval before a PEP is accepted as a customer. Check policy and procedure and perform sample testing. ➤ Based on a sample selected, check that the Licensee has included the following measures for existing PEP customers or subsequently becomes a PEP: <ul style="list-style-type: none"> (a) Analysis of complex financial structures, including trusts, foundations or international business corporations; (b) A written record in the customer file to establish that reasonable measures have been taken to establish both the source of wealth and the source of funds; (c) Development of a profile of anticipated customer activity, to be used in on-going monitoring; (d) Approval of senior management for allowing the customer relationship to continue; and (e) On-going account monitoring of the PEP's account by senior management (such as the MLRO). ➤ Based on a sample selected, check that the Licensee has applied, at a minimum, the measures referred to in (b) (d) and (e) of Paragraph FC-1.5.3 in the cases of higher risk business relationships with such persons mentioned in Paragraph FC-1.5.1. 	
28	FC-1.5.3B	Check that the Licensee has applied all PEP requirements to family or close associates of such PEPs.	
<i>Enhanced Due Diligence: Charities, Clubs and Other Societies</i>			
29			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

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	FC-1.6.1 FC-1.6.1A	<ul style="list-style-type: none"> ➤ Obtain a list of all charitable funds and religious, sporting, social, cooperative and professional and other societies to which financial services were provided during the year. Select a sample covering all types of institutions noted above from the list obtained and check whether services were provided only after obtaining an original certificate authenticated by the relevant Ministry confirming the identities of those purporting to act on their behalf (and authorising them to obtain the said service). ➤ Check that the Licensee has contacted General Organisation for Youth and Sports (GOYS) to clarify whether the account for clubs and societies registered with GOYS may be opened in accordance with the rules of GOYS. ➤ Check if the Licensee has contacted Bahrain Olympic Committee (BOC) to clarify whether the account for sport associations registered with BOC may be opened in accordance with the rules of BOC. 	
30	FC-1.6.3	<ul style="list-style-type: none"> ➤ Based on the sample selected, check that the Licensee has applied enhanced transaction monitoring procedures for charities. ➤ Check that the Licensee has developed a profile of anticipated account activity (in terms of payee countries and recipient organisations in particular). 	
31	FC-1.6.4	<ul style="list-style-type: none"> ➤ Obtain a list of all payments and transfers of BD3,000 (or equivalent in foreign currencies) and above during the year from accounts held by charities registered in Bahrain. Check and confirm that the Licensee has submitted to the CBB's Compliance Directorate a monthly report of all payments and transfers of BD3,000 (or equivalent in foreign currencies) and above, from accounts held by charities registered in Bahrain, giving details of the amount transferred, account name, number and beneficiary name account and bank details. ➤ Check that the Licensee has ensured that transfers are in accordance with the spending plans of the charity (in terms of amount, recipient and country). 	
32	FC-1.6.5	Check and confirm that the Licensee has not accepted or processed any incoming or outgoing wire transfers from or to any foreign country on behalf of charity and non-profit organisations licensed by the Ministry of Social Development until an official letter by the Ministry authorising the receipt or remittance of the funds is obtained by the concerned Licensee.	
Enhanced Due Diligence: 'Pooled Funds'			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

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33	FC-1.7.1	For a sample selected, check that the Licensees, when receives pooled funds managed by professional intermediaries, has applied CDD measures contained in Section FC-1.9 to the professional intermediary.	
34	FC-1.7.2	For the sample selected, check that the Licensee has verified all beneficial owners' identity, of funds pooled in an account which is not co-mingled, in accordance with the requirements in Section FC-1.2.	
35	FC-1.7.3	For accounts held by intermediaries resident in Bahrain, check that the Licensee has made a reasonable effort (in the context of the nature and amount of the funds received) to look beyond the intermediary and determine the identity of the beneficial owners or underlying clients, particularly where funds are banked and then transferred onward to other financial institutions (e.g. in the case of accounts held on behalf of authorised money transferors).	
36	FC-1.7.4	<ul style="list-style-type: none"> ➤ For accounts held by intermediaries from foreign jurisdictions, check if the Licensee has ensured that intermediary is supervised for compliance with requirements to combat money laundering and terrorist financing, consistent with the FATF Recommendations. ➤ Check that the Licensee has obtained documentary evidence to support the case for not carrying out customer due diligence measures beyond identifying the intermediary. ➤ Check that the Licensee has satisfied itself that the intermediary has identified the underlying beneficiaries and has the systems and controls to allocate the assets in the pooled accounts to the relevant beneficiaries, and ensure that the Licensee has followed the due diligence process contained in Section FC-1.8. 	
37	FC-1.7.5	Check that the Licensee, where the intermediary is not empowered to provide the required information on beneficial owners (e.g. lawyers bound by professional confidentiality rules) or where the intermediary is not subject to the same due diligence standards referred to above, has not permitted the intermediary to open an account or allowed the account to continue to operate, unless specific permission was obtained in writing from the CBB.	
<i>Enhanced Due Diligence for Correspondent Banking Relationships</i>			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
38	FC-1.8.1	<ul style="list-style-type: none"> ➤ Based on a sample selected, check and confirm that when intending to act as correspondent bank, check if the Licensee has gathered sufficient information (e.g. through a questionnaire) about their respondent banks to understand the nature of the respondent's business. ➤ Also check that the Licensee has considered the following factors to provide assurance that satisfactory measures are in place at the respondent bank, including: <ul style="list-style-type: none"> (a) Information about the respondent bank's ownership structure and management; (b) Major business activities of the respondent and its location (i.e. whether it is located in a FATF compliant jurisdiction) as well as the location of its parent (where applicable); (c) Where the customers of the respondent bank are located; (d) The respondent's AML/CFT controls; (e) The purpose for which the account will be opened; (f) Confirmation that the respondent bank has verified the identity of any third party entities that will have direct access to the correspondent banking services without reference to the respondent bank (e.g. in the case of 'payable through' accounts); (g) The extent to which the respondent bank performs on-going due diligence on customers with direct access to the account, and the condition of bank regulation and supervision in the respondent's country (e.g. from published FATF reports). Licensees should take into account the country where the respondent bank is located and whether that country abides by the FATF Recommendations when establishing correspondent relationships with foreign banks. Licensees should obtain where possible copies of the relevant laws and regulations concerning AML/CFT and satisfy themselves that respondent banks have effective customer due diligence measures consistent with the FATF Recommendations; (h) Confirmation that the respondent bank is able to provide relevant customer identification data on request to the correspondent bank; and (i) Whether the respondent bank has been subject to a money laundering or terrorist financing investigation. 	

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
39	FC-1.8.2	Based on a sample selected, check that the bank has implemented the following additional measures prior to opening a correspondent banking relationship: (a) Completed a signed statement that outlines the respective responsibilities of each institution in relation to money laundering detection and monitoring responsibilities; and (b) Ensured that the correspondent banking relationship has the approval of senior management.	
40	FC-1.8.3	<ul style="list-style-type: none"> ➤ Check and confirm that the Licensee has refused to enter into or continue a correspondent banking relationship with a bank incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated financial group (i.e. 'shell banks', see Section FC-1.10). ➤ Check and confirm that the Licensee has paid particular attention when entered into or continuing relationships with respondent banks located in jurisdictions that have poor KYC standards or have been identified by the FATF as being 'non-cooperative' in the fight against money laundering/terrorist financing. 	
<i>Introduced Business from Professional Intermediaries</i>			
41	FC-1.9.1	Check that the Licensee has only accepted customers introduced to it by other financial institutions or intermediaries, if it has satisfied itself that the financial institution or intermediary concerned is subject to FATF-equivalent measures and customer due diligence measures. Also check that the Licensee, where it delegates part of the customer due diligence measures to another financial institution or intermediary, has remained the responsibility for meeting the requirements of Chapters 1 and 2.	

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
42	FC-1.9.2	<p>For a sample selected, check that the Licensee has only accepted introduced business if all of the following conditions are satisfied:</p> <p>(a) The customer due diligence measures applied by the introducer are with those required by the FATF Recommendations;</p> <p>(b) A formal agreement is in place defining the respective roles of the licensee and the introducer in relation to customer due diligence measures. The agreement must specify that the customer due diligence measures of the introducer will comply with the FATF Recommendations;</p> <p>(c) The introducer immediately provides all necessary information required in Paragraph FC-1.2.1 or FC-1.2.7 and FC-1.1.2A pertaining to the customer's identity, the identity of the customer and beneficial owner of the funds (where different), the purpose of the relationship and, where applicable, the party/parties on whose behalf the customer is acting; also, the introducer has confirmed that the licensee will be allowed to verify the customer due diligence measures undertaken by the introducer at any stage; and</p> <p>(d) Written confirmation is provided by the introducer confirming that all customer due diligence measures required by the FATF Recommendations have been followed and the customer's identity established and verified. In addition, the confirmation must state that any identification documents or other customer due diligence material can be accessed by the licensee and that these documents will be kept for at least five years after the business relationship has ended.</p>	
43	FC-1.9.3	<ul style="list-style-type: none"> ➤ Check and confirm that the Licensee has performed periodic reviews ensuring that any introducer on which it relies is in compliance with the FATF Recommendations. ➤ Check that the Licensee has performed periodic reviews to verify whether the jurisdiction is in compliance with the FATF Recommendations, where the introducer is resident in another jurisdiction. 	
44	FC-1.9.4	<ul style="list-style-type: none"> ➤ Based on a sample selected, check that the Licensee has conducted due diligence to satisfy that the introducer is in compliance with the requirements of the FATF Recommendations. ➤ Check and confirm that the Licensee has conducted its own customer due diligence on introduced business, or has not accepted further introductions, or discontinued the business relationship with the introducer. 	
<i>Shell Banks</i>			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
45	FC-1.10.1	<ul style="list-style-type: none"> ➤ Check that the Licensee has refused to establish business relations with banks which have no physical presence or 'mind and management' in the jurisdiction in which they are licensed and which are unaffiliated with a regulated financial group ('shell banks'). ➤ Check that the Licensee has not knowingly established relations with banks that have relations with shell banks. 	
46	FC-1.10.2	<ul style="list-style-type: none"> ➤ Check that the Licensee has reported suspicious transaction report (STR) to the Anti-Money Laundering Unit and the Compliance Directorate if they are approached by a shell bank or an institution they suspect of being a shell bank. ➤ Request Licensee to provide statistics on STRs during the period of coverage. 	
<i>Incoming Cash</i>			
47	FC-1.10A.2	<ul style="list-style-type: none"> ➤ Obtain a list of instances where cash amounts were received into Bahrain via courier (whether a representative of a Bahrain money changer or a foreign institution). For a sample selected, check that the Licensee for such receipts obtained documentation stating the source of funds and identity of the originator of the funds. \ <p>For the sample selected above, check that the Licensee has maintained documentation recording the full name and address of the beneficiary of the funds.</p>	
48	FC-1.10A.3	For the sample noted above, check if there is evidence showing the courier carried original documentation signed by the originator stating whether the cash shipment is for local use or for onward transmission.	
49	FC-1.10A.4	Of the sample above where the imported cash is for onward transmission, check that full name and address of final beneficiaries as well as the local recipient are provided.	
<i>Simplified Customer Due Diligence</i>			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

Sr. No.	Reference	Procedures	Findings based on procedures performed
50	FC-1.11.1	<p>Obtain a list of customers for whom the Licensee applied simplified customer due diligence. For a sample selected, check that the Licensee has applied simplified customer due diligence measure only if conditions in Paragraph FC-1.11.2 to FC-1.11.7 are met:</p> <ul style="list-style-type: none"> (a) The customer is the Central Bank of Bahrain ('CBB'), the Bahrain Bourse ('BHB') or a licensee of the CBB; (b) The customer is a Ministry of a Gulf Cooperation Council ('GCC') or Financial Action Task Force ('FATF') member state government, a company in which a GCC or FATF government is a majority shareholder, or a company established by decree in the GCC; (c) The customer is a company listed on a GCC or FATF member state stock exchange (where the FATF state stock exchange has equivalent disclosure standards to those of the BHB); (d) The customer is a financial institution whose entire operations are subject to AML/CFT requirements consistent with the FATF Recommendations and it is supervised by a financial services supervisor in a FATF or GCC member state for compliance with those requirements; (e) The customer is a financial institution which is a subsidiary of a financial institution located in a FATF or GCC member state, and the AML/CFT requirements applied to its parent also apply to the subsidiary; (f) The customer is a borrower in a syndicated transaction where the agent bank is a financial institution whose entire operations are subject to AML/CFT requirements consistent with the FATF Recommendations and it is supervised by a financial services supervisor in a FATF or GCC member state for compliance with those requirements. 	
51	FC-1.11.2	<ul style="list-style-type: none"> ➤ For the sample selected above, check that the Licensee has obtained the information required under Paragraph FC-1.2.1 (for natural persons) or FC-1.2.7 (for legal entities or legal arrangements such as trusts) for customers falling under categories a-f in Paragraph FC-1.2.1. "verification and certification requirements in Paragraphs FC-1.2.3 and FC-1.2.8, and the due diligence requirements in Paragraph FC-1.2.11, may be dispensed with". ➤ Check that the Licensee has applied enhanced due diligence (Section FC-1.8), where the account is a correspondent banking relationship. 	

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
52	FC-1.11.4	For the sample selected above, check that the Licensee, has retained documentary evidence supporting their categorisation of the customer.	
53	FC-1.11.7	Check that the Licensee has not applied simplified customer due diligence where it knows, suspects, or has reason to suspect, that the applicant is engaged in money laundering or terrorism financing or that the transaction is carried out on behalf of another person engaged in money laundering or terrorism financing.	
<i>CDD: For entities Operating under Regulatory Sandbox</i>			
<i>General Requirements</i>			
54	FC-1.12.1	Check that the Licensee has understood, and as appropriate, obtained information on the purpose and intended nature of the business relationship.	
55	FC-1.12.2	Check that the Licenses has documented procedures for verifying the identity of their customers and the source of their funds where no face to face contact takes place.	
56	FC-1.12.3	Check that the Licensee has not commenced a business relationship or undertake a transaction with a customer before the completion of the relevant customer due diligence measures specified in this Section.	
57	FC-1.12.4	Check that the Licensee has conducted ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds.	
<i>Face to Face Business</i>			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
58	FC-1.12.5	<p>For a sample of customers, check that the Licensee has obtained and recorded the following information from original identification documents, databases or websites, in hard copy or electronic form:</p> <ul style="list-style-type: none"> (a) The entity's full name and other trading names used; (b) Registration number (or equivalent); (c) Legal form; (d) Registered address and trading address (where applicable); (e) Type of business activity; (f) Date and place of incorporation or establishment; (g) Telephone, fax number and email address; (h) Type of account, and nature and volume of anticipated business dealings with the licensee; and (i) Source of funds. 	
59	FC-1.12.6	<p>For a sample of customers, check that the Licensee has obtained certified copies of the following documents, as applicable (depending on the legal form of the entity):</p> <ul style="list-style-type: none"> (a) Certificate of incorporation and/or electronic certificate of commercial registration or trust deed; (b) Partnership agreement; (c) Identification documentation of the authorised signatories of the account; (d) Where applicable, copy of the latest financial report and accounts, audited (audited copies do not need to be certified); and (e) Copy of CBB's approval to operate under the CBB's Regulatory Sandbox. 	
60	FC-1.12.7	<p>For a sample of customers selected, check that the Licensee has certified the documents obtained to satisfy the requirements in Paragraph FC-1.12.6 in the manner specified in Paragraphs FC-1.12.9 to FC-1.12.10 below.</p>	
61	FC-1.12.9	<ul style="list-style-type: none"> ➤ Inquire if the Licensee ensures that documents copied for the purpose of identification verification is original. ➤ Check that authorised officials of the Licensee certify the copy by writing on it the words "originally sighted" with the date and his signature. And ensures that equivalent measures is taken for electronic copies. 	

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
62	FC-1.12.10	For a sample of customers, check that the Licensee has obtained the identity documents which are not obtained by an authorised official of the Licensee in original form by one of the following a GCC or FATF member state: (a) A lawyer; (b) A notary; (c) A chartered/certified accountant; (d) An official of a government ministry; (e) An official of an embassy or consulate; or (f) An official of another licensed financial institution or of an associate company of the licensee.	
63	FC-1.12.11	<ul style="list-style-type: none"> ➤ For a sample of customers, check that the Licensee has obtained contact details (e.g by attaching business card or company stamp) from the individuals making the certification under FC-1.12.10. ➤ For a sample of customers, check that the Licensee has documented the identity of the person providing the certification through checking membership of a professional organisation (for lawyers or accountants), or through checking against databases/websites, or by direct phone or email contact. 	
<i>Non Face To Face Business and Technologies</i>			
64	FC-1.12.12	Check that the Licensee has taken additional measures for no face-to-face contacts to those specified measures in order to mitigate the potentially higher risk associated with such business. In particular, Licensees must take measures: (a) To ensure that the customer is the person they claim to be; and (b) To ensure that the address provided is genuinely the customer's.	
65	FC-1.12.14	<ul style="list-style-type: none"> ➤ Check that the Licensee has established procedures to prevent the misuse of technological developments in money laundering or terrorist financing schemes, specifically Licensees which provide significant electronic and internet banking services to their customers. ➤ Check that the Licensee has complied with any relevant e-commerce laws and/or CBB directives or regulations issued from time to time. 	
<i>AML / CFT Systems and Controls</i>			
<i>Risk Based Monitoring</i>			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
66	FC-2.2.1	Check that the Licensee has developed risk-based monitoring systems appropriate to the complexity of their business, their number of clients and types of transactions. Check that these systems are configured to identify significant or abnormal transactions or patterns of activity, and included limits on the number, types or size of transactions undertaken outside expected norms; and limits for cash and non-cash transactions.	
Automated Transaction Monitoring			
67	FC-2.2.3	<ul style="list-style-type: none"> ➤ Inquire if the Licensee has implemented automated transaction monitoring to identify abnormal or unusual flow of funds. ➤ Check that the customer has a process by which all transactions over BD 6,000 are monitored and reviewed. ➤ Check that the Licensee has a daily report that captures transactions above 6,000 for monitoring by the MLRO or a relevant delegated official. ➤ Check for a sample, if records are retained by the licensee for five years after the date of the transaction. 	
68	FC-2.2.5	<ul style="list-style-type: none"> ➤ Check that the Licensee, where risk-based monitoring systems identify significant or abnormal transactions (as defined in FC-2.2.2 and FC-2.2.3), has verified the source of funds for those transactions, particularly where the transactions are above the occasional transactions threshold of BD 6,000. ➤ For a sample of transactions, check that the Licensee has documented its examination of the background and purpose to those transactions and documented their findings. 	
69	FC-2.2.6	<ul style="list-style-type: none"> ➤ For a sample of transactions, check that the Licensee has carried out the investigations required under FC-2.2.5 by the MLRO (or relevant delegated official). ➤ Inquire if the Licensee maintains documents relating to these findings for five years from the date when the transaction was completed (see also FC-7.1.1 (b)). 	
70	FC-2.2.7	Inquire if the Licensee considers instances where there is a significant, unexpected or unexplained change in customer activity.	

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
71	FC-2.2.8	<ul style="list-style-type: none"> ➤ Obtain a list of existing customers who had closed one account and reopened another account during the year and for a sample of such cases check that the Licensee has documented review of its customer identity and updated its records. ➤ Check that the Licensee has documented obtaining and re-verifying of the missing or out of date information where the information available falls short of the requirements contained in Chapter FC-1. 	
<i>On-going Monitoring</i>			
72	FC-2.2.10	<p>Check that the Licensee has taken reasonable steps to:</p> <ul style="list-style-type: none"> a) Scrutinize transactions undertaken throughout the course of that relationship to ensure that transactions being conducted are consistent with the licensee's knowledge of the customer, their business risk and risk profile; and b) Ensure that they receive and maintain up-to-date and relevant copies of the identification documents specified in Chapter FC-1, by undertaking reviews of existing records, particularly for higher risk categories of customers. Licensee must require all customers to provide up-to-date identification documents in their standard terms and conditions of business c) Comment on the systems and tools used for transactions monitoring and the scenarios built into the system for alerts. 	
73	FC-2.2.11	<ul style="list-style-type: none"> ➤ For a sample selected, check that the Licensee has reviewed and updated their customer due diligence information at least every three years, particularly for higher risk categories of customers. ➤ Check that the Licensee has obtained, upon performing such review, updated copies of outdated identification documents of more than 12 months as soon as possible. 	
<i>Electronic transfers</i>			
<i>Outward transfers</i>			
74	FC-3.1.1	<p>For a sample selected, check that the Licensee has included all required originator information and required beneficiary information details with the accompanying electronic transfers of funds they make on behalf of their customers.</p> <p>Non-routine transfers must not be batched, if batching increases the risks of money laundering or terrorist financing. This obligation does not apply where the transfer is made by a bank acting as principal or acting on behalf of another bank as principal such as in the case of payment of spot FX transactions.</p>	

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
<i>Inward transfers</i>			
75	FC-3.1.4	<p>For a sample selected, check if the Licensee has maintained records (in accordance with Chapter FC-7) of all originator information received with an inward transfer; and carefully scrutinised inward transfers which do not contain originator information (i.e. full name, address and account number or a unique customer identification number).</p> <p>Licensees must presume that such transfers are ‘suspicious transactions’ and pass them to the MLRO for review for determination as to possible filing of an STR, unless (a), the originating institution is able to promptly (i.e. within two business days) advise the licensee in writing of the originator information upon the licensee’s request; or (b) the originating institution and the licensee are acting on their own behalf (as principals).</p>	
<i>Cross border wire transfers</i>			
76	FC-3.1.5	<p>For a sample selected, check that the Licensee has ensured that information accompanying all wire transfers always contains:</p> <p>(a) The name of the originator;</p> <p>(b) The originator account number or IBAN where such an account is used to process the transaction;</p> <p>(c) The originator’s address, or national identity number, or customer identification number, or date and place of birth;</p> <p>(d) The name of the beneficiary; and</p> <p>(e) The beneficiary account number where such an account is used to process the transaction.</p>	
<i>Domestic wire transfers</i>			
77	FC-3.1.8	<p>For a sample selected, check that the Licensee has ensured that the information accompanying domestic wire transfers includes originator information as indicated for cross-border wire transfers, unless this information can be made available to the beneficiary financial institution and the CBB by other means.</p> <p>In this latter case, the originating financial institution need only include the account number or a unique transaction reference number, provided that this number or identifier will permit the transaction to be traced back to the originator or the beneficiary.</p>	
<i>Responsibilities of originating bank, intermediary bank and beneficiary bank</i>			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
78	FC-3.1.11 FC-3.1.12 FC-3.1.13	<ul style="list-style-type: none"> ➤ For a sample selected, check that the originating bank has accurate originator information, and required beneficiary information. ➤ Check it has maintained all originator and beneficiary information. (See also FC-7.1.1). ➤ Ensure that the originating bank does not execute the wire transfer if it does not comply with the requirements in FC-3.1.11 and FC-3.1.12. 	
79	FC-3.1.14	In the case of intermediary banks, check that all originator and beneficiary information that accompanies a wire transfer is retained when it processes an intermediary element of a cross-border wire transfer of such chains of wire transfers.	
80	FC-3.1.15 FC-3.1.16 FC-3.1.17	<ul style="list-style-type: none"> ➤ Check that the intermediary bank keeps a record, for at least five years, of all the information received by the intermediary bank from the originating bank or another intermediary bank where due to technical prevent the required originator or beneficiary information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer. ➤ Check that an intermediary bank takes reasonable measures to identify cross-border wire transfers that lack required originator information or required beneficiary information. Such measures must be consistent with straight-through processing. ➤ Verify if the bank acting as an intermediary bank has effective risk based policies and procedures for determining <ul style="list-style-type: none"> ○ When to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and ○ The appropriate follow-up action. 	
81	FC-3.1.18	Check that the beneficiary bank takes reasonable measures to identify cross-border wire transfers that lack required originator or required beneficiary information. Such measures may include post-event monitoring or real-time monitoring where feasible.	
82	FC-3.1.19	Test a sample of wire transfers to check for evidence that the beneficiary bank verifies the identity of the beneficiary, if the identity has not been previously verified, and maintain this information as required under FC-7.1.1.	

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
83	FC-3.1.20	A beneficiary bank must have effective risk-based policies and procedures for determining: a) When to execute, reject, or suspend a wire transfer lacking required originator required beneficiary information; and b) The appropriate follow-up action	
<i>Remittances on behalf of Money or Value transfer service (MVTs) providers</i>			
84	FC-3.2.1	When the Licensee uses the services of Authorised Money or Value Transfer Service Providers to effect the transfer of funds for a customer to a person or organisation in another country, for a sample of such remittances, check that it maintains records of the following in respect of the amount so transferred: (a) The identity of its customer(s) in accordance with Chapters FC-1 and FC-7 of this Module; and (b) The exact amount transferred for each such customer (particularly where a single transfer is effected for more than one customer).	
85	FC-3.2.3	Check that the Licensee has procedures to ensure it does not transfer funds for customers to a person or organisation in another country by any means other than through an authorised MVTs provider.	
86	FC-3.2.4	Check that in case of an authorised MVTs provider that controls both the ordering and the beneficiary side of a wire transfer, the authorised MVTs provider: (a) Must take into account all the information from both the ordering and beneficiary sides in order to determine whether an STR has to be filed; and (b) Must file an STR in any country affected by the suspicious wire transfer, and make relevant transaction information available to the Financial Intelligence Directorate.	
<i>Responsibilities of MLRO</i>			
87	FC-4.1	➤ Assess and comment on the independence, powers and responsibilities of MLRO. ➤ Obtain a sample to check if the Licensee has taken adequate measures to ensure staff are competent and well trained.	

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
88	FC-4.2.1	<p>Obtain the MLRO's job descriptions and check it includes the following:</p> <ul style="list-style-type: none"> (a) Establishing and maintaining the licensee's AML/CFT policies and procedures; (b) Ensuring that the licensee complies with the AML Law and any other applicable AML/CFT legislation and regulations; (c) Ensuring day-to-day compliance with the licensee's own internal AML/CFT policies and procedures; (d) Acting as licensee's main point of contact in respect of handling internal suspicious transaction reports from the licensee's staff (refer to Section FC-5.1) and as the main contact for the Financial Intelligence Directorate, the CBB and other concerned bodies regarding AML/CFT; (e) Making external suspicious transactions reports to the Anti-Money Laundering Unit and Compliance Directorate (refer to Section FC-5.2); (f) Taking reasonable steps to establish and maintain adequate arrangements for staff awareness and training on AML/CFT matters (whether internal or external), as per Chapter FC-5; (g) Producing annual reports on the effectiveness of the licensee's AML / CFT controls, for consideration by senior management, as per Paragraph FC-4.3.3; (h) On-going monitoring of what may, in his opinion, constitute high-risk customer accounts; and (i) Ensuring that the licensee maintains all necessary CDD, transactions, STR and staff training records for the required periods (refer to Section FC-7.1). 	
<i>Compliance monitoring</i>			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

Sr. No.	Reference	Procedures	Findings based on procedures performed
89	FC-4.3.1 FC-4.3.3	<ul style="list-style-type: none"> ➤ Check that the Licensee takes appropriate steps to identify and assess their money laundering and terrorist financing risks (for customers, countries or geographic areas; and products, services, transactions or delivery channels). ➤ Check that it documents such assessments in order to be able to demonstrate their basis, keep these assessments up to date, and have appropriate mechanisms to provide risk assessment information to the CBB. ➤ Check and comment on whether the Licensee has considered the nature and extent of the assessment of money laundering and terrorist financing risks is appropriate to the nature and size of the business ➤ Ensure the assessment reports are made available to the Board of Directors for its review and, remediation measures if any are commissioned. 	
90	FC-4.3.1B	<p>Check that the licensee reviews the effectiveness of its AML/CFT procedures, systems and controls at least once each calendar year. The review must cover the Licensee and its branches and subsidiaries both inside and outside the Kingdom of Bahrain. The scope of the review must include:</p> <ul style="list-style-type: none"> (a) A report, containing the number of internal reports made in accordance with Section FC-5.1, a breakdown of all the results of those internal reports and their outcomes for each segment of the licensee's business, and an analysis of whether controls or training need to be enhanced; (b) A report, indicating the number of external reports made in accordance with Section FC-5.2 and, where a licensee has made an internal report but not made an external report, noting why no external report was made; (c) A sample test of compliance with this Module's customer due diligence requirements; and (d) A report as to the quality of the licensee's anti-money laundering procedures, systems and controls, and compliance with the AML Law and this Module. 	
91	FC-4.3.2	<ul style="list-style-type: none"> ➤ Check and confirm that the reports listed under Paragraph FC-4.3.1B (a) and (b) are made by the MLRO. Confirm that the review includes a sample test of compliance with the Module's customer due diligence requirements. ➤ Check and confirm that the sample testing required under Paragraph FC-4.3.1B (c) is undertaken either by the licensee's internal auditor, its external auditor or a consultancy firm approved by the CBB. 	

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
92	FC-4.3.2C	Ensure that the personnel conducting the review is qualified, skilled and have adequate experience to conduct such a review. Also ensure that at least two persons working on the report (one of whom should be the team leader) have: (a) A minimum of 5 years professional experience dealing with AML/CFT issues; and (b) Formal AML/CFT training.	
<i>Internal reporting</i>			
93	FC-5.1.1	<ul style="list-style-type: none"> ➤ Review the internal reports to check evidence of compliance with Module FC regarding suspicious transactions. ➤ Check the Licensee has procedures to ensure that staff who handle customer business (or are managerially responsible for such staff) make a report promptly to the MLRO if they know or suspect that a customer (or a person on whose behalf a customer may be acting) is engaged in money laundering or terrorism financing, or if the transaction or the customer's conduct otherwise appears unusual or suspicious. Such procedures must include arrangements for disciplining any member of staff who fails, without reasonable excuse, to make such a report 	
94	FC-5.1.2	Check that the Licensee has internal processes that provide for staff to consult with their line managers before sending a report to the MLRO. Such processes must not be used to prevent reports reaching the MLRO, where staff have stated that they have knowledge or suspicion that a transaction may involve money laundering or terrorist financing	
<i>External reporting</i>			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
95	FC-5.2.1 FC-5.2.2 FC-5.2.3 FC-5.2.4	<p>Review the external reports to check evidence of compliance with Module FC regarding suspicious transactions.</p> <p>Check that the Licensee takes reasonable steps to ensure that all reports made under Section FC-5.1 are considered by the MLRO (or his duly authorised delegate).</p> <p>Having considered the report and any other relevant information the MLRO (or his duly authorised delegate), if he still suspects that a person has been engaged in money laundering or terrorism financing, or the activity concerned is otherwise still regarded as suspicious, must report the fact promptly to the relevant authorities.</p> <p>[Reports must be sent to the Financial Intelligence Directorate at the Ministry of Interior and the CBB's Compliance Directorate using the Suspicious Transaction Report Online System (Online STR system). STRs in paper format will not be accepted. This reporting requirement applies regardless of whether the transaction involves tax matters.]</p> <p>Where no report is made, check that the MLRO has documented the reasons why. For the purpose of above, check that Licensee has made adequate arrangements to ensure that:</p> <ol style="list-style-type: none"> The MLRO is required to consider all the relevant information and that such information is accessible or can be reasonably obtainable by the MLRO; Permit the MLRO to have access to any information, including know your customer information, in the licensee's possession which could be relevant; and Ensure that where the MLRO, or his duly authorised delegate, suspects that a person has been engaged in money laundering or terrorist financing, a report is made by the MLRO which is not subject to the consent or approval of any other person. 	
96	FC-5.2.5	Check that the Licensee retains all the relevant details of STRs submitted to the relevant authorities for at least five years.	
Training			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
97	FC-6.1.1 FC-6.1.2 FC-6.1.3 FC-6.1.4	<ul style="list-style-type: none"> ➤ For a selected sample of staff who handle customer transactions, or are managerially responsible for such transactions, check the records of their attendance to AML/CFT training courses. ➤ Obtain the AML/CFT training material and check that the Licensee has taken reasonable steps to provide periodic training and information to ensure that staff who handle customer transactions, or are managerially responsible for such transactions, are made aware of: <ul style="list-style-type: none"> (a) Their responsibilities under the AML Law, this Module, and any other relevant AML / CFT laws and regulations; (b) The identity and responsibilities of the MLRO and his deputy; (c) The potential consequences, both individual and corporate, of any breach of the AML Law, this Module and any other relevant AML / CFT laws or regulations; (d) The licensee's current AML/CFT policies and procedures; (e) Money laundering and terrorist financing typologies and trends; (f) The type of customer activity or transaction that may justify an internal STR; (g) The licensee's procedures for making internal STRs; and (h) Customer due diligence measures with respect to establishing business relations with customers. ➤ The information referred to in Paragraph FC-6.1.1 must be brought to the attention of relevant new employees of licensees, and must remain available for reference by staff during their period of employment. ➤ For a selected sample of relevant new employees, check that AML/CFT training was given within three months of joining a licensee. ➤ Check that the AML/CFT training for relevant staff remains up-to-date, and is appropriate given the licensee's activities and customer base. 	
98	FC-6.1.6	Check that the Licensee has adequate screening procedures to ensure high standards when hiring employees. These procedures must include controls to prevent criminals or their associates from being employed.	
99	FC-7.1.3	Check that the Licensee has maintained for at least five years, records showing the dates when AML/CFT training was given, the nature of the training, and the names of the staff that received the training.	
General requirements			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
100	FC-7.1.1 FC-7.1.2	<ul style="list-style-type: none"> ➤ Check on a sample basis that the Licensee retains records (including accounting and identification records), for the following minimum periods: <ul style="list-style-type: none"> (a) For customers, in relation to evidence of identity and business relationship records (such as application forms, account files and business correspondence, including the results of any analysis undertaken (e.g. enquiries to establish the background and purpose of complex, unusual large transactions)), for at least five years after the customer relationship has ceased; and (b) For transactions, in relation to documents (including customer instructions in the form of letters, faxes or emails) enabling a reconstitution of the transaction concerned, for at least five years after the transaction was completed. ➤ Check that the Licensee retains copies of the reports produced for their annual compliance review, as specified in Paragraph FC-4.3.1, for at least five years. Licensee must also maintain for 5 years reports made to, or by, the MLRO made in accordance with Sections FC-5.1 and 5.2, and records showing how these reports were dealt with and what action, if any, was taken as a consequence of those reports. 	
<i>Special measures for Non-Cooperative Countries or Territories (NCCTS)</i>			
101	FC-8.1.1 FC-8.1.2	<p>Perform detailed checks of processes and transactions to ensure that the Licensee gives special attention to any dealings they may have with entities or persons domiciled in countries or territories which are:</p> <ul style="list-style-type: none"> (a) Identified by the FATF as being ‘non-cooperative’; or (b) Notified to licensees from time to time by the CBB. <p>Perform detailed checks of processes and transactions to ensure that Licensee re-examines and documents the re-examination whenever there are transactions with such parties. If suspicion remains, then the transaction must be reported to the relevant authorities.</p>	
102	FC-8.1.3	Check that the Licensee has policies and processes in place to ensure that it performs EDD for business relationships and transactions with natural and legal persons, and financial institutions, from countries where such measures are called for by the FATF. The type of enhanced due diligence measures applied must be effective and proportionate to the risks.	
<i>Terrorist Financing</i>			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
103	FC-8.2.1AA	Review and comment on the Licensee's process and procedures for implementing and complying with the United Nations Security Council resolutions relating to the prevention and suppression of terrorism and terrorist financing. For a selected sample, check that the Licensee has implemented and complies with United Nations Security Council resolutions relating to the prevention and suppression of terrorism and terrorist financing. Check if the Licensee has frozen, without delay, the funds or other assets of, and ensured that no funds or other assets were made available, directly or indirectly, to or for the benefit of, any person or entity either (i) designated by, or under the authority of, the United Nations Security Council under Chapter VII of the Charter of the United Nations, including in accordance with resolution 1267(1999) and its successor resolutions as well as Resolution 2178(2014) or (ii) designated as pursuant to Resolution 1373(2001).	
104	FC-8.2.1	For a selected sample, check that the Licensee complies in full with any rules or regulations issued by the CBB in connection with the provisions of the UN Security Council Anti-terrorism Resolution No. 1373 of 2001 ('UNSCR 1373'), including the rules in this Chapter	
105	FC-8.2.4	For a selected sample, check that the Licensee reports to the CBB details of: (a) Funds or other financial assets or economic resources held with them which may be the subject of Article 1, Paragraphs c) and d) of UNSCR 1373; and (b) All claims, whether actual or contingent, which the licensee has on persons and entities which may be the subject of Article 1, Paragraphs c) and d) of UNSCR 1373.	
106	FC-8.3.1	Check that, without prejudice to the general duty of all licensees to exercise the utmost care when dealing with persons or entities who might come under Article 1, Paragraphs (c) and (d) of UNSCR 1373, ("designated persons") the licensees does not deal with any persons or entities designated by the CBB as potentially linked to terrorist activity.	
107	FC-8.3.3.	Check that the Licensee has procedures to report to the relevant authorities, detailed of any accounts or other dealings with designated persons and entities, and comply with any subsequent directions issued by the relevant authorities.	
108	Prior period report	Check remediation of issues raised in the prior period report and enlist matters that have not yet been adequately addressed.	