

<b>MODULE</b>	<b>GR: General Requirements</b>
<b>CHAPTER</b>	<b>GR-14: Client Money</b>

## GR-14.1 Client Money Requirements

GR-14.1.1 This Chapter applies to all PSPs that are allowed to hold client money.

**GR-14.1.2** Licenses must receive client money into a client money account with a retail bank in Bahrain and make clear in the title of the bank account that the funds in the account belong to one or more customers of the licensee and not to the licensee.

**GR-14.1.3** Licenses must ensure that it has established and implemented adequate policies, procedures and systems, including those related to fraud risk and that the client money is:

- (a) Held in a segregated client money account;
- (b) Used only for the purposes for which the licensee received it from its customers;
- (c) Not used for licensee's own use or given as collateral for any purpose to a third party or be subject to any restrictions; and
- (d) Reported as a separate balance sheet item in the licensee's financial statements specifying also the nature and purpose for which such funds are held on behalf of its customers.

**GR-14.1.4** Licenses must perform reconciliations of client money accounts with related client customer accounts in their accounting records. These reconciliations must be carried out on a monthly basis as at the last business day of each calendar month. The licensee must ensure that the reconciliations are completed within 10 business days of the month end so that any unresolved differences, shortfalls and excess balances can be investigated, and corrective action initiated.

**GR-14.1.5** Licenses holding client money in the course of carrying out payment services must appoint independent auditors to perform an audit of client money every 6 months and submit the report to the CBB as required in Paragraph BR-1.1.6.

**Glossary:****Client money**

Client money comprises any money that a licensee receives and holds on a fiduciary basis, as intermediary in the course of carrying on regulated services, towards the execution of transactions on behalf of its customers.

**Client money account**

A segregated bank account held by PSPs with a retail bank in order to hold client money.

## Amendements to Module AU:

<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-1:</b>	<b>Requirement to Hold a License</b>

### AU-1.2 Definition of Regulated Ancillary Services

- AU-1.2.10A** When issuing any multi-purpose, electronic or otherwise, pre-paid cards, payment service providers must comply with the following requirements:
- (a) The maximum balance limit under each natural person must not exceed BD2,500;
  - (bb) The maximum balance limit for each legal person must not exceed BD10,000 (Loading and transaction size);
  - (b) The payment service provider must obtain a bank guarantee of BD100,000 from a retail bank licensed in the Kingdom of Bahrain; instead of the bank guarantee amount required under Paragraph AU-4.1.12;
  - (c) Comply with all the requirements outlined under Module FC (Financial Crime) ~~and Module CL (Client Money)~~;
  - (d) All pre-paid plastic cards must be EMV compliant (chip and PIN and online authentication);
  - (e) Any pre-paid card which is inactive for a period of six months must be placed in a dormant list; ~~and~~
  - (f) All transactions on pre-paid cards must be made through the clients' money account with a retail bank in Bahrain (See also Chapter GR-14, Client Money Requirements).

## Amendments to Module BR:

MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-1: Prudential Reporting

### BR-1.1 Annual Requirements

#### BR-1.1.6

~~Payment Service Providers must appoint independent auditors to perform an in-depth audit on clients' money account (i.e. client money received and its usage, accounting records, internal controls etc.) every 6 months and submit the report to the CBB after two months of period end, i.e. 31<sup>st</sup> August for the June report and end of February for the December report. The audit must be performed by the licensee's external auditor or an independent third-party audit firm acceptable to the CBB.~~ Payment Service Providers holding client money in the course of carrying out payment services must appoint independent auditors to perform an audit of client money every 6 months and submit the report to the CBB by 30<sup>th</sup> September for the 30<sup>th</sup> June report and 31<sup>st</sup> March for the 31<sup>st</sup> December report. The audit must be performed by the licensee's external auditor or an independent third-party audit firm acceptable to the CBB. Such audit must be conducted to ensure full compliance with the requirements of Chapter GR-14, Client Money Requirements. Any non-compliance matters will be subject to an enforcement action, and in the case of recurring violations, revocation of license may be pursued.

#### BR-1.1.7

~~The overarching objectives of the audit, required under Paragraph BR-1.1.6, must be:~~

- ~~(a) Ensuring that client money is properly segregated and not comingled with the licensee's own funds;~~
- ~~(b) The licensee has established and implemented adequate internal control procedures and systems to ensure client money is always segregated;~~
- ~~(c) Client money is not used for purposes other than for client transactions as stipulated in the terms of products/services with its customers;~~
- ~~(d) The balances are maintained with a retail bank licensee in Bahrain and such balances are not subject to any lien or other restrictions; and~~
- ~~(e) Fraud risks are adequately controlled and mitigated. [This Paragraph has been moved to Paragraph GR-14.1.5].~~