



EDBS/KH/185/2013
9th September, 2013

Chief Executive Officer
All Banks
Manama
Kingdom of Bahrain

Dear Sir,

Non-Resident Accounts

In dealing with the requirements under Module FC (Financial Crime) of the CBB Rulebook, enquiries have been raised dealing with companies under formation and non-resident accounts. To address these issues, the Central Bank of Bahrain ('CBB') is amending key areas of Module FC as per the attachment to this letter.

The CBB emphasises that it does not prohibit the opening of accounts for companies under formation or for non-residents. The attached amendments offer further guidance to banks that do offer such services.

The CBB request that all banks take note of these amendments which will be incorporated into the Rulebook in the upcoming quarterly Rulebook update.

Yours faithfully,


Khalid Hamad

Attachment.

MODULE	FC:	Financial Crime
CHAPTER	FC-1:	Customer Due Diligence

FC-1.1 General Requirements (continued)

Anonymous and Nominee Accounts

FC-1.1.9 Conventional bank licensees must not establish or keep anonymous accounts or accounts in fictitious names. Where conventional bank licensees maintain a nominee account, which is controlled by or held for the benefit of another person, the identity of that person must be disclosed to the conventional bank licensee and verified by it in accordance with the requirements specified in this Chapter.

Timing of Verification – Companies under Formation or New Arrivals

FC-1.1.10 Conventional bank licensees must not commence a business relationship or undertake a transaction with a customer before completion of the relevant customer due diligence measures specified in Chapters 1, 2 and 3. However, verification may be completed after receipt of funds in the case of: Bahrain companies under formation which are being registered with the Ministry of Industry and Commerce; or newly arrived persons in Bahrain who are taking up employment or residence; or non-face-to-face business; or the subsequent submission of CDD documents by the customer after initial face-to face contact; providing that no disbursement of funds takes place in any of the above cases until after the requirements of these Chapters have been fully met.

Incomplete Customer Due Diligence

FC-1.1.11 Where a conventional bank licensee is unable to comply with the requirements specified in Chapters 1, 2 and 3, it must consider 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.

FC-1.1.12 See also Chapter FC-5, which covers the filing of suspicious transaction reports. Regarding the return of funds to the counterparty, if funds are received in cash, funds should be returned in cash. If funds are received by wire transfer, they should be returned by wire transfer.

MODULE	FC:	Financial Crime
CHAPTER	FC-1:	Customer Due Diligence

FC-1.1 General Requirements (continued)

Non-Resident Accounts

FC-1.1.13 Banks may open accounts for companies under formation or for non-residents.

FC-1.1.14 Accounts opened for GCC nationals, not resident in Bahrain are subject to the customer due diligence measures outlined in Sections FC-1.2 (face-to-face) or FC-1.4 (non face-to-face). Where a customer is a non-GCC national, the guidance provided in Section FC-1.3 should be referred to.

FC-1.1.15 Where a non-resident account is opened, the customer must be informed by the conventional retail bank licensee of any services which may be restricted or otherwise limited, as a result of their non-resident status.

FC-1.1.16 For purposes of Paragraph FC-1.1.15, examples of limitations or restrictions for non-resident accounts may include limitations on banking services being offered including the granting of loans or other facilities, including credit cards or cheque books.

MODULE	FC: Financial Crime
CHAPTER	FC-1: Customer Due Diligence

FC-1.3 Enhanced Customer Due Diligence: General Requirements

FC-1.3.1 Enhanced customer due diligence must be performed on those customers identified as having a higher risk profile, and additional inquiries made or information obtained in respect of those customers.

FC-1.3.2 The additional information referred to in Paragraph FC-1.3.1 might include documents (either in hard copy or electronic format) relating to the following:

- (a) Evidence of a person's permanent address through the use of a credit reference agency search or through independent verification by home visit;
- (b) A personal reference (e.g. by an existing customer of the conventional bank licensee);
- (c) Another licensed entity's reference and contact with the concerned licensee regarding the customer;
- (d) Documentation outlining the customer's source of wealth;
- (e) Documentation outlining the customer's source of income; and
- (f) Independent verification of employment, or public position held.

FC-1.3.3 In addition to the general rule contained in Paragraph FC-1.3.1 above, special care is required in the circumstances specified in Sections FC-1.4 to FC-1.9 inclusive.

FC-1.3.4 Additional enhanced due diligence measures for non-resident non-GCC national account holders may include the following:

- (a) References provided by a regulated bank from a FATF country;
- (b) Certified copies of bank statements for a recent 3-month period; or
- (c) References provided by a known customer of the conventional retail bank licensee.