

SUPPLEMENTARY INFORMATION
APPENDIX FC-8

**Agreed-upon Procedures for fulfilling the
reporting requirements in Compliance with FC
Module (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 FC Module (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 Financial Crime Module of (Volume 1) of the Rulebook issued by the Central Bank of Bahrain (the CBB) (FC Module). The procedures were performed pursuant to the Licensee’s obligation under AU-3.3.1 and FC-4.3.1B of the CBB Rulebook. The procedures performed were solely to assist you in fulfilling your reporting requirements in accordance with FC Module 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. The procedures were performed solely to assist you in fulfilling your reporting requirement in accordance with FC-4.3.1B (c) and (d) of the CBB Rulebook, FC Module, Volume 1.

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 compliance with FC Module.

Had we performed additional procedures or had we performed an audit or review of the Licensee’s compliance with FC Module 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 second paragraph of this report and is for the use 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 matters 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 [] on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

Sr. No.	Reference to CBB Rulebook Volume 1	Procedures	Findings based on procedures performed
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	➤ Obtain a list of new business relationships across the various customer types, entered into by the Licensee during the year. The list of customers should be by type and by business line or organisational divisions as reported in management reports, (for example, mortgages, consumer/personal lending, credit cards, SME, corporate, retail etc.) consisting of Individuals, PEPs, Societies, Charities and Trusts, and Institutions. ➤ For a representative sample (See Appendix B for sample size selection), inspect if the Licensee has performed the following: (a) Recorded documentation of the purpose and intended nature of the business relationship; (b) Obtained signature of the customer; (c) Obtained a signed statement from the customer confirming whether or not the customer is acting on his own behalf or for a beneficial owner; (d) Obtained the signed statement above prior to conducting any transaction with the customer concerned; (e) Where a customer is acting on behalf of a third party, obtained a signed statement from a third party; (f) In the case of minors, additionally verified the identity of the parent(s) or legal guardian(s); and (g) Account is opened by the Licensee for a person, who has not completed the residency requirements and is currently awaiting receipt of his formal Bahraini identification documents, upon presentation of a formal contract of employment from a company in Bahrain.	
2	FC-1.1.2	Inquire that the Licensee has implemented the customer due diligence measures specified in Chapters 1, 2, and 3 with reference to the following: (a) A change to the signatory or beneficiary of an existing account or business relationship is made; (b) A significant transaction takes place; (c) 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; (d) Customer documentation standards change substantially; (e) The Licensee has doubts about the veracity or adequacy of previously obtained customer due diligence information; (f) Carrying out wire transfers irrespective of amount; or (g) There is a suspicion of money laundering or terrorist financing.	

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Sr. No.	Reference to CBB Rulebook Volume 1	Procedures	Findings based on procedures performed
3	FC-1.1.2B FC-2.2.10	Inspect documented processes and tools used by the Licensees for ongoing due diligence of customers. For a sample, inspect that the Licensee has documented the following as part of its ongoing due diligence process: (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 profile of the customer.	
Customer Due Diligence – Verification of Identity and Source of Funds			
4	FC-1.1.1 FC-4.2.1 FC-2.1.1	For the sample of customers selected in procedure 3 , inspect the Licensee's documentation of the identity of its customers and the source of funds in accordance with the procedures as set out in writing and approved by the Licensee's Board of Directors and senior management (as applicable).	
5	FC-1.1.1 FC-2.1.1 FC-2.1.2	➤ Inspect that the written policies and procedures are approved by the Licensee's Board of Directors and senior management (as applicable). ➤ Inquire on the frequency of revisions to AML/CFT policies and procedures made by the Licensee and inspect the date of the last review and approval. ➤ Compare the policies and procedures of the Licensee to the requirements set out in the FC Module (FC-2.1.1). ➤ Inspect the documented policies and procedures of the Licensee to see if they cover customer acceptance, on-going monitoring, staff training, and screening procedures for hiring employees.	
Face-to-face Business			
Customer Due Diligence – Natural Persons			

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Sr. No.	Reference to CBB Rulebook Volume 1	Procedures	Findings based on procedures performed
6	FC-1.2.1	Select the sample of customers representing natural persons in procedure 1 and inspect that the Licensee has obtained the following information for its customers (in hard copy or electronic form): (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.	
7	FC-1.2.3	For the sample of customers selected in procedure 6, inspect that the Licensee has documented the verification of identity 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: (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); (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 (c) Direct contact with the customer by phone (if applicable), letter or email to confirm relevant information, such as residential address.	
8	FC-1.2.4	For the sample of customers selected in the procedure 6 above: ➤ Inspect documentation by authorised officials of the Licensee for certification of the copy by writing on it the words "originals sighted" with the date and signature. ➤ Inquire and document the measures taken by the Licensee for electronic copies.	

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Sr. No.	Reference to CBB Rulebook Volume 1	Procedures	Findings based on procedures performed
9	FC-1.2.5	For the sample of customers selected in procedure 6 above and where identity documents are not received by an official of the Licensee in original form, inspect that the Licensee has obtained certified copies from one of the following 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.	
Customer Due Diligence – Anonymous and Nominee Accounts			
10	FC-1.1.9	➤ Inquire that the Licensee has not established or kept anonymous accounts or accounts in fictitious names and that the Licensee has scanned the system for code names, unusual names etc. in the customer database and general ledger. ➤ Obtain the list of customers as at the reporting date and observe if the list has any code names, unusual names representing anonymous accounts. ➤ Obtain a listing of nominee accounts and inspect that the Licensee has obtained 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			

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Sr. No.	Reference to CBB Rulebook Volume 1	Procedures	Findings based on procedures performed
11	FC-1.1.10	➤ For a sample of new customers during the year, inspect that the date of KYC completion and origination of the transaction has not commenced prior to the completion of the CDD measures except in situations allowed under the rule (see note below). ➤ Inquire and document the end to end process followed by the Licensee for completing the KYC process. ➤ Inquire that the creation of the account in the system and the processing of any transactions have taken place after the date of completing the KYC procedures. ➤ Obtain a listing of new customers as of a date during the reporting period and observe if the KYC process is completed Note: KYC verifications may be completed after the receipt of funds but no disbursement of funds shall take place in any of the following cases: (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	➤ Inquire of the MLRO if there were any situations where the Licensee was unable to comply with the requirements specified in Chapters 1, 2 and 3. ➤ If such situations exist, inquire whether documentary evidence exist, and 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.	
Customer Due Diligence – Non-Resident Accounts			
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, inspect 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.	

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Sr. No.	Reference to CBB Rulebook Volume 1	Procedures	Findings based on procedures performed
14	FC-1.1.13G	➤ Inquire if the account of companies that were under formation, was classified as dormant and / or initial capital was withdrawn. ➤ For a sample of such instances, if any, inspect that the Licensee has notified the Ministry of Industry, Commerce and Tourism.	
15	FC-1.1.15	➤ Obtain a list of non-resident accounts opened by the Licensee during the year. ➤ For a sample of such accounts, inspect if the Licensee has documentation to inform the customer of any services which may be restricted or otherwise limited as a result of their non-resident status.	
Customer Due Diligence - Legal Entities or Legal Arrangements (such as Trusts)			
16	FC-1.2.7	➤ From the sample of customers under procedure 1, extract a listing of all legal entities or legal arrangements such as trusts as of financial year end. ➤ For a sample of such customers, inspect that the Licensee has obtained the following information from identification documents, databases or websites, in hard copy or electronic form, to identify and verify its identity, legal existence and structure: (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.	

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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
17	FC-1.2.8	For the sample selected for procedure 16, inspect that the Licensee has documented the verification of certified copies of the following documents, as applicable, and depending on the legal form of the entity: (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	For the customers who are legal persons in the sample selected for procedure 16, inspect that the Licensee has documented the identification and verification of the identity of beneficial owners, through the following information: (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	For the sample selected for procedure 16, inspect that the documents obtained as per the requirements in FC-1.2.8 are certified in the manner specified in FC-1.2.4 to FC-1.2.6.	

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20	FC-1.2.11	For the sample selected for procedure 16, inspect that the Licensee has obtained and documented the following due diligence information: (a) 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) Status of the legal entity i.e. whether it has been or is in the process of being wound up, dissolved, struck off or terminated; (c) The names, country of residence and nationality of Directors or partners (only necessary for private or unlisted companies); (d) Updates on any changes to corporate ownership and/or legal structure; (e) 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, the identity of the settler(s), trustee(s), and beneficiaries (including making such enquiries as to ascertain the identity of any other potential beneficiary, in addition to the named beneficiaries of the trust); and (g) Inquire if the Licensee had any grounds for questioning the authenticity of the information supplied by a customer, and if so, inquire what additional due diligence was conducted to check the above information. (h) Inquire if these due diligence requirements listed above have been included in the Licensee's new business procedures.	
Enhanced Customer Due Diligence: General Requirements			
21	FC-1.3.1	➤ Obtain a list of higher risk customers identified by the Licensee during the year. ➤ For a sample selected, inspect that the Licensee has performed enhanced customer due diligence on those customers identified as having a higher risk profile.	
Enhanced Customer Due Diligence: Non face-to-face Business and New Technologies			
22	FC-1.4.1	➤ Inquire if the Licensee has established specific procedures for verifying customer identity. ➤ Compare the Licensee's procedures for customer identification and for verification of customer identity documentation with the enhanced customer due diligence requirements stipulated in the FC Module for non face-to-face business and new technologies.	

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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
23	FC-1.4.2	➤ Obtain a list of non-face-to-face business customers as of the financial year-end. ➤ Inspect and document the measures taken by the Licensee to ascertain the following: (a) The customer is the person they claim to be; and (b) The address provided is genuinely the customer's.	
24	FC-1.4.4	➤ Obtain the Board approved policies and procedures to prevent the misuse of technological developments in money laundering or terrorist financing schemes; ➤ For Licensees which provide electronic and internet banking services to their customers, inquire if the Licensee has software program to highlight all unusual transactions so as to enable the concerned Licensee to report such transactions. ➤ Where the Licensee has such software, inquire and document the relevant parameters of such software that identify unusual transactions.	
25	FC-1.4.5	➤ Inquire if the Licensee has policies and procedures to identify and assess the money laundering or terrorist financing risks that may arise in relation to: (a) 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 launched during the year and inquire if the above procedures were applied.	
26	FC-1.4.6	For a sample of new products or services, inspect that the Licensee has documented the risk assessment prior their launch.	
<i>Enhanced Customer Due Diligence: Politically Exposed Persons ('PEPs')</i>			

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Sr. No.	Reference	Procedures	Findings based on procedures performed
27	FC-1.5.1 FC-1.5.2 FC-1.5.3 FC-1.5.3A	➤ Inquire that the Licensee has established risk management systems, such as publicly available databases, 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. This also should include the acceptance policy with regards to PEP. (a) Inquire and document the Licensee's definition of publicly available database to establish whether a customer is a PEP. (b) Inspect on a sample basis that the policy is implemented. ➤ Obtain a list of PEP customers as at the year-end. For a sample of such PEP customers, inspect that the Licensee has obtained senior management approval before a PEP is accepted as a customer. ➤ For the sample of PEP customers selected above, inspect that the Licensee has documentation of the following measures for existing PEP customers or subsequently becomes a PEP: (a) Analysis of financial structures, including trusts, foundations or international business corporations; (b) A written record in the customer file to establish that 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) Documented evidence of on-going account monitoring of the PEP's account by senior management (such as the MLRO). ➤ For a sample of higher risk business relationships with such persons mentioned in Paragraph FC-1.5.1, inspect if the Licensee has applied at a minimum, the measures referred to in (b) (d) and (e) of Paragraph FC-1.5.3 .	
28	FC-1.5.3B	Inquire if the Licensee has applied all PEP requirements to family or close associates of such PEPs.	
Enhanced Due Diligence: Charities, Clubs and Other Societies			

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Sr. No.	Reference	Procedures	Findings based on procedures performed
29	FC-1.6.1 FC-1.6.1A FC-1.6.2A	➤ 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 inspect that the services were not provided before 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). ➤ For clubs and societies registered with Ministry of Youth and Sport Affairs (MYS) out of the sample selected above, inspect if the Licensee has documented their contact with MYS to clarify whether the account may be opened in accordance with the rules of MYS. In addition, in the case of sport associations registered with the Bahrain Olympic Committee (BOC), inquire if banks have contacted BOC to clarify whether the account may be opened in accordance with the rules of BOC. ➤ Inquire about the procedures to ensure that, pursuant to Article (20) of the Consolidated Financial Regulations for Sports Clubs issued in 2005, retail bank licensees do not change or open additional bank accounts for Clubs and Youth Centres without obtaining the prior approval of the MYS. Inspect a sample of such instances based on a list of additional accounts or changes in accounts obtained from the banks. ➤ Inquire about the procedures to ensure that, that banks accept or process any incoming or outgoing fund transfers in any form (wire transfer, cheques, etc.) from or to any foreign person or foreign association on behalf of charity and non-profit organisations, societies, clubs licensed by the Ministry of Labour and Social Development or the MYS without the prior approval of the relevant Ministry. ➤ Inspect if the Licensee has documented the process to contact 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	➤ For charities, out of the sample selected above, inspect the documents to observe whether the Licensee has applied enhanced transaction monitoring procedures. ➤ Inspect the records to observe if 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	➤ 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. ➤ Obtain the monthly report submitted by the Licensee to the CBB's Compliance Directorate and compare it to the above list to confirm that the payments were reported giving details of the amount transferred, account name and number, beneficiary name and bank details. ➤ Inquire if the Licensee has ensured that the transfers are in accordance with the spending plans of the charity (in terms of amount, recipient and country).	

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32	FC-1.6.5	➤ For the sample selected in procedure 29, inspect that the Licensee has obtained an official letter from the Ministry authorising incoming and/or outgoing wire transfers from or to any foreign country for a selected sample. .	
Enhanced Due Diligence: 'Pooled Funds'			
33	FC-1.7.1	For a sample selected, check that the Licensee, when receiving 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	➤ Obtain a list of accounts where sub accounts are created for each beneficiary as of date during the reporting period. ➤ For a sample of such accounts, inspect that the Licensee has documented its verification of the identity of all sub accounts (beneficial owners) in accordance with the requirements in Section FC-1.2.	
35	FC-1.7.3	For accounts held by intermediaries resident in Bahrain where funds are commingled, inquire the MLRO of the efforts made by the Licensee (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.	
36	FC-1.7.4	➤ Obtain a list of foreign intermediaries that the Licensee has dealt with during the year. For a sample of such intermediaries inspect that the Licensee has documented that the intermediary is supervised for compliance with requirements to combat money laundering and terrorist financing, consistent with the FATF Recommendations. ➤ For a sample of accounts held by intermediaries from foreign jurisdictions, inspect that the Licensee has obtained documentary evidence to support the case for not carrying out customer due diligence measures beyond identifying the intermediary. ➤ Inquire if 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 inquire if the Licensee has followed the due diligence process contained in Section FC-1.8.	
37	FC-1.7.5	Obtain a list of all intermediaries that the Licensee dealt with. Take a sample of such intermediaries and inspect the following: (a) The Licensee has obtained confirmation from the intermediary that they can provide required information on beneficial owners; (b) They are subject to same due diligence standards referred to above; and (c) If (a) or (b) are not present, observe that the CBB's written permission was obtained.	
Enhanced Due Diligence for Correspondent Banking Relationships			

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Sr. No.	Reference	Procedures	Findings based on procedures performed
38	FC-1.8.1	For a sample of instances where the Licensee has acted as a correspondent bank, inspect if the Licensee has gathered the following information (e.g. through a questionnaire) about their respondent banks, prior to establishing the relationship: (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). Whether Licensee has checked if the country where the respondent bank is located abides by the FATF. Recommendations when establishing correspondent relationships with foreign banks. Whether the Licensee obtained, where possible, copies of the relevant laws and regulations concerning AML/CFT; (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.	
39	FC-1.8.2	For the sample selected in procedure 38, inspect that the Licensee 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) the correspondent banking relationship has the approval of senior management.	
40	FC-1.8.3	➤ Inquire 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). ➤ Inquire 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.	

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Introduced Business from Professional Intermediaries			
41	FC-1.9.1	➤ For a selected sample, inquire that the Licensee has only accepted customers introduced to it by other financial institutions or intermediaries, if the financial institution or intermediary concerned is subject to FATF-equivalent measures and customer due diligence measures. ➤ Obtain a list of counterparties to whom the Licensee has delegated CDD responsibilities. For a sample of such counterparties, inspect that the contractual agreements retain the responsibility for the CDD with the Licensee.	
42	FC-1.9.2	Select a sample and inspect if the Licensee has only accepted introduced business if all of the following conditions are satisfied: (a) The customer due diligence measures applied by the introducer are with those required by the FATF Recommendations; (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; (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 (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.	
43	FC-1.9.3	➤ Obtain a list of introducers during the year on which the Licensee has relied on. For a sample of such instances, document the dates of the most recent periodic review performed by the Licensee following FATF recommendations for a sample of such introducers. ➤ Inquire and document about the frequency of the periodic reviews performed by the Licensee. ➤ Select a sample and inspect that the Licensee has documented its reviews to verify whether the jurisdiction is in compliance with the FATF Recommendations, where the introducer is resident in another jurisdiction.	

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Sr. No.	Reference	Procedures	Findings based on procedures performed
44	FC-1.9.4	➤ Select a sample and, inspect that the Licensee has conducted due diligence to satisfy that the introducer is in compliance with the requirements of the FATF Recommendations. ➤ Where the Licensee is not satisfied that the introducer is in compliance with the requirements of FATF recommendations, inquire and inspect a sample to observe 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.	
Shell Banks			
45	FC-1.10.1	➤ Inquire if the Licensee has refused to establish business relations with banks which have no physical presence or 'mind and management' in the jurisdiction in which licensed and which are unaffiliated with a regulated financial group ('shell banks'). ➤ Inquire if the Licensee has not knowingly established relations with banks that have relations with shell banks.	
46	FC-1.10.2	Inquire if the Licensee has reported a 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 and document the number of STR reported, if any.	
Incoming Cash			
47	FC-1.10A.2	➤ 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). Select a sample and inspect if the Licensee, for such receipts, obtained original documentation stating the source of funds and identity of the originator of the funds. ➤ For the sample selected above, inspect that the Licensee has documented the full name and address of the beneficiary of the funds.	
48	FC-1.10A.3	For the sample in procedure 47, inspect 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	For the sample in procedure 47, where the imported cash is for onward transmission, inspect that full name and address of final beneficiaries as well as the local recipient are provided.	
Simplified Customer Due Diligence			

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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
50	FC-1.11.1	Obtain a list of customers for whom the Licensee applied simplified customer due diligence. For a sample selected, inspect if any of the following criteria is met: (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') country 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	➤ For the sample selected in procedure 50 and, if those customers that fall under categories (a)-(f) in Paragraph FC-1.11.1, inquire if 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). ➤ Inquire if the Licensee has applied enhanced due diligence (Section FC-1.8), where the account is a correspondent banking relationship where simplified customer due diligence measures were applied.	
52	FC-1.11.4	For the sample selected in procedure 50, inspect that the Licensee, has retained documentary evidence supporting their categorisation of the customer.	

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Sr. No.	Reference	Procedures	Findings based on procedures performed
53	FC-1.11.6	Obtain a list of customers that are financial institutions that meet the AML/ CFT requirements set out under FC-1.11.1 (d) and (e) and where the Licensee is dealing as a Principal. For a sample of customers that are financial institutions (who meet the AML/ CFT requirements set out under FC-1.11.1 (d) and (e)) and where the Licensee is dealing as a Principal: (a) Inspect, for a sample of transactions, that the Licensee has used authenticated SWIFT messages as a basis for confirmation of the identity of a financial institution. (b) Inspect that the Licensee has 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.	
54	FC-1.11.7	Inquire if the Licensee does not apply 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>Simplified Customer Due Diligence for Entities Operating under Regulatory Sandbox – General Requirements</i>			
55	FC-1.12.1	For a sample of customers, inspect that the Licensee has documented the purpose and intended nature of the business relationship.	
56	FC-1.12.2	Inquire that the Licensee has documented procedures for verifying the identity of its customers and the source of their funds where no face-to-face contact takes place.	
57	FC-1.12.3	Inquire if the Licensee has 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.	
58	FC-1.12.4	Inspect and document, in this report, 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>Simplified Customer Due Diligence for Entities Operating under Regulatory Sandbox – Face to Face Business</i>			

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Sr. No.	Reference	Procedures	Findings based on procedures performed
59	FC-1.12.5	For a sample of customers, inspect that the Licensee has obtained and recorded the following information from original identification documents, databases or websites, in hard copy or electronic form: (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.	
60	FC-1.12.6	For a sample of customers, inspect that the Licensee has obtained certified copies of the following documents, as applicable (depending on the legal form of the entity): (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.	
61	FC-1.12.7	For a sample of customers selected in procedure 59, inspect 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.	
62	FC-1.12.9	➤ Inquire if the Licensee ensures that documents copied for the purpose of identification verification is original. ➤ Inspect 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.	

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Sr. No.	Reference	Procedures	Findings based on procedures performed
63	FC-1.12.10	For a sample of customers, inspect 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 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.	
64	FC-1.12.11	➤ For a sample of customers, inspect that the Licensee has obtained contact details (eg. by attaching business card or company stamp) from the individuals making the certification under FC-1.12.10. ➤ For a sample of customers, inspect 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>Simplified Customer Due Diligence for Entities Operating under Regulatory Sandbox – Non Face To Face Business and Technologies</i>			
65	FC-1.12.12	➤ Inquire with the MLRO, for non-face to face business relationships, whether the additional measures such as video conferencing, address verification have been performed and how these are evidenced. ➤ For a sample of non-face to face business, document the type of identity verification documents obtained by the Licensee.	
66	FC-1.12.14	➤ Inquire if the Licensee has procedures to prevent the misuse of technology in money laundering or terrorist financing schemes, specifically Licensees which provide significant electronic and internet banking services to their customers. ➤ Inquire if the Licensee has procedure to comply with e-commerce laws and CBB requirements.	
<i>AML / CFT Systems and Controls</i>			
<i>Risk Based Monitoring</i>			

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Sr. No.	Reference	Procedures	Findings based on procedures performed
67	FC-2.2.1	➤ Inquire and document whether the Licensee has developed risk-based monitoring systems appropriate to the complexity of its business, the number of clients and types of transactions. ➤ Inquire and document if 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. ➤ Observe that the system has parameters in place to raise alerts. ➤ Obtain and document, in this report, the list of alerts raised by the system during the reporting period.	
Automated Transaction Monitoring			
68	FC-2.2.3	➤ Inquire and document that the Licensee has implemented automated transaction monitoring to identify abnormal or unusual flow of funds. ➤ Inquire whether the Licensee has a daily report that captures transactions above 6,000 for monitoring by the MLRO or a relevant delegated official. ➤ Inspect for a sample, if records are retained by the Licensee for five years after the date of the transaction. ➤ Observe that the system has parameters in place to raise alerts. ➤ Obtain and document, in this report, the list of alerts raised by the system during the reporting period.	
69	FC-2.2.5	➤ For a sample of transaction identified by the system as significant or abnormal (as defined in FC-2.2.2 and FC-2.2.3), inspect that the Licensee has documented its verification of 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, inspect that the Licensee has documented its examination of the background and purpose to those transactions and documented their findings.	
70	FC-2.2.6	➤ For a sample of transactions, inspect that the Licensee has carried out the investigations required under FC-2.2.5 by the MLRO (or relevant delegated official) and; ➤ Inspect that 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)).	
71	FC-2.2.7	Inquire if the Licensee considers instances where there is a significant, unexpected or unexplained change in customer activity.	

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Sr. No.	Reference	Procedures	Findings based on procedures performed
72	FC-2.2.8	➤ Obtain a list of existing customers who had closed one account and opened another account during the year and for a sample of such cases inspect that the Licensee has documented review of its customer identity and updated its records. ➤ Select a sample and inspect 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.	
On-going Monitoring			
73	FC-2.2.10	Inquire that Licensee has a process and taken steps to: (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; (b) Ensure that it receives and maintains 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. Licensees must require all customers to provide up-to-date identification documents in their standard terms and conditions of business; and (c) Check the systems and tools used for transactions monitoring and the scenarios built into the system for alerts.	
74	FC-2.2.11	➤ For a sample of relationships older than three years from the financial year-end, inspect that the Licensee has documented its review and updated of its customer due diligence information, particularly for higher risk categories of customers. ➤ For the same sample above, inspect that the Licensee has obtained, upon performing such review, updated copies of outdated identification documents of more than 12 months as soon as possible.	
Electronic transfers			
Outward transfers			
75	FC-3.1.1	For a sample selected, inspect that the Licensee has included originator information and required beneficiary information details with the accompanying electronic transfers of funds it makes on behalf of their customers. Non-routine transfers must not be batched, if the Licensee considers, based on inquiries, that 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.	
Inward transfers			

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Sr. No.	Reference	Procedures	Findings based on procedures performed
76	FC-3.1.4	➤ For a sample selected, inspect if the Licensee has maintained records (in accordance with Chapter FC-7) of originator information received with an inward transfer. ➤ Inquire if the Licensee has scrutinised inward transfers which do not contain originator information (i.e. full name, address and account number or a unique customer identification number). ➤ Also inquire if the Licensee has presumed that such transfers are ‘suspicious transactions’ and passed 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).	
Cross border wire transfers			
77	FC-3.1.5	For a sample selected of wire transfers, inspect that the following information has been included: (a) The name of the originator; (b) The originator account number or IBAN where such an account is used to process the transaction; (c) The originator’s address, or national identity number, or customer identification number, or date and place of birth; (d) The name of the beneficiary; and (e) The beneficiary account number where such an account is used to process the transaction.	
Domestic wire transfers			
78	FC-3.1.8	Select a sample of domestic wire transfer and inspect that it includes originator information as indicated in FC 3.1.5. for cross-border wire transfers unless the relevant information (see FC-3.1.8) is available to be provided to the beneficiary bank or the CBB by other means.	
Responsibilities of originating bank, intermediary bank and beneficiary bank			
79	FC-3.1.11 FC-3.1.12 FC-3.1.13	➤ For a sample selected, inspect that the originating bank has originator information, and required beneficiary information. ➤ Inspect that the Licensee has obtained originator and beneficiary information. (See also FC-7.1.1). ➤ Inspect 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.	

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Sr. No.	Reference	Procedures	Findings based on procedures performed
80	FC-3.1.14	In the case of intermediary banks, for a sample selected, inspect that the Licensee has obtained originator and beneficiary information that accompanies a wire transfer when it processes an intermediary element of a cross-border wire transfer of such chains of wire transfers.	
81	FC-3.1.15 FC-3.1.16 FC-3.1.17	➤ For a sample of transactions relating to last five years entered into by the Licensee, inspect 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 technical limitations prevent the required originator or beneficiary information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer. ➤ If the Licensee is an intermediary bank, document the process and measures in place to identify cross-border wire transfers that lack required originator information or required beneficiary information. ➤ Inquire if the bank acting as an intermediary bank has risk based policies and procedures for determining: (a) When to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) The appropriate follow-up action.	
82	FC-3.1.18	For wire transfers where the Licensee acts as a beneficiary bank, inquire if the Licensee has in place measures to identify cross-border wire transfers that lack required originator or required beneficiary information. [Note: Such measures may include post-event monitoring or real-time monitoring where feasible.]	
83	FC-3.1.19	For a sample of wire transfers inspect that the beneficiary bank has documented its verification of the identity of the beneficiary, if the identity has not been previously verified, and has maintained this information as required under FC-7.1.1.	
84	FC-3.1.20	If the Licensee is a beneficiary bank, inspect that the Bank has Board approved risk-based policies and procedures for determining: (a) When to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) The appropriate follow-up action.	
Remittances on behalf of Money or Value transfer service (MVTs) providers			

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Sr. No.	Reference	Procedures	Findings based on procedures performed
85	FC-3.2.1	When the Licensee uses the services of Authorised Money or Value Transfer Service (MVTs) providers to effect the transfer of funds for a customer to a person or organisation in another country, for a sample of such remittances, inspect that the Licensee has maintained records of the following: (a) The identity of its customer(s) in accordance with Chapters FC-1 and FC-7 of the FC Module; and (b) The exact amount transferred for each such customer (particularly where a single transfer is effected for more than one customer).	
86	FC-3.2.3	For a sample of fund transfers to a person or organisation in another country, inspect if the transfers were made only through an authorised MVTs provider.	
87	FC-3.2.4	Inquire 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) Has taken 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) Has filed an STR in any country affected by the suspicious wire transfer, and made relevant transaction information available to the Financial Intelligence Unit.	
Responsibilities of MLRO			
88	FC-4.1	➤ Obtain the Licensee's organisational chart and inspect and document the reporting lines of the MLRO. ➤ Inspect that the Licensee has documented the powers and responsibilities of MLRO.	

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Sr. No.	Reference	Procedures	Findings based on procedures performed
89	FC-4.2.1	Obtain the MLRO's job description and inspect that it includes the following: (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 the 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).	
Compliance monitoring			
90	FC-4.3.1 FC-4.3.3	➤ Obtain the manual that describes the process, the responsibilities and the systems utilised by the Licensee to identify and assess their money laundering and terrorist financing risks (for customers, countries or geographic areas; and products, services, transactions or delivery channels). ➤ Inquire if the Licensee 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. ➤ Inquire if the Licensee has a procedure for the assessment of money laundering and terrorist financing risks which, according to the MLRO, is appropriate to the nature and size of the Licensee's business. ➤ Obtain the assessment reports and documentation showing that they were made available to the Board of Directors for its review and, remediation measures if any are commissioned.	

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Sr. No.	Reference	Procedures	Findings based on procedures performed
91	FC-4.3.1B	Inspect that the Licensee has documented its reviews of the AML/CFT procedures, systems and controls at least once each calendar year covering the Licensee and its branches and its subsidiaries both inside and outside the Kingdom of Bahrain. The scope of the Licensee's review must include: (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 the FC 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 the FC Module.	
92	FC-4.3.2	➤ Inquire that the reports listed under Paragraph FC-4.3.1B (a) and (b) are made by the MLRO. Inspect that the Licensee's review includes a sample test of compliance with the FC Module's customer due diligence requirements. ➤ Inquire 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.	
Internal reporting			
93	FC-5.1.1	➤ Inspect the internal reports for evidence of compliance with requirements regarding suspicious transactions. ➤ Inspect that the Licensee has Board approved 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	➤ Inquire if the Licensee has written policies that prevent staff from consulting with their line managers before sending a report to the MLRO. ➤ Based on inquiries of the MLRO and a selection of staff, observe if there are instances where they were prevented from reporting to the MLRO when they had knowledge or suspicion that a transaction may have involved money laundering or terrorist financing.	

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Sr. No.	Reference	Procedures	Findings based on procedures performed
External reporting			
95	FC-5.2.1 FC-5.2.2 FC-5.2.3 FC-5.2.4	➤ Inquire of the MLRO of the process by which he identifies suspicious transactions and inquire about the Licensee's process for taking steps to ensure that all reports made under Section FC-5.1 are considered by the MLRO (or his duly authorised delegate). Inquire and document the process for reporting to the relevant authorities by 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. ➤ Inquire if the reports are 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). [Note: STRs in paper format are not accepted]. This reporting requirement applies regardless of whether the transaction involves tax matters. ➤ Where no report is made, inspect that the MLRO has documented the reasons why. ➤ For the purpose of above, inquire that the Licensee has made adequate arrangements to ensure that: (a) It has required the MLRO to consider all the relevant information and that such information is accessible or can be reasonably obtainable by the MLRO; (b) It has permitted the MLRO to have access to any information, including know your customer information, in the Licensee's possession which could be relevant; and (c) 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	From the list of STRs reported by the Licensee during the past five years, inquire if details of the STRs are retained.	
Training			

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Sr. No.	Reference	Procedures	Findings based on procedures performed
97	FC-6.1.1 FC-6.1.2 FC-6.1.3 FC-6.1.4	➤ For a sample of staff who handle customer transactions, or are managerially responsible for such transactions, inspect their records of attendance to AML/CFT training courses. ➤ Inspect that the AML/CFT training material for staff who handle customer transactions, or are managerially responsible for such transactions, include the following: (a) Their responsibilities under the AML Law, the FC 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, the FC 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. ➤ For new joiners inquire if the information referred to in Paragraph FC-6.1.1 is included within the relevant employee's training materials and is made available for reference by staff during their period of employment. For a sample of relevant new employees, inspect that AML/CFT training was given within three months of joining a Licensee.	
98	FC-6.1.6	For a sample of new hires during the year, obtain and document the procedures performed by the Licensee to determine that such new hires are not criminals or their associates.	
99	FC-7.1.3	Inquire if the Licensee maintains 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 [] 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
100	FC-7.1.1 FC-7.1.2	➤ Inspect on a sample basis that the Licensee retains records (including accounting and identification records), for the following minimum periods: (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. ➤ Inquire 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.	
Special measures for Non-Cooperative Countries or Territories (NCCTS)			
101	FC-8.1.1 FC-8.1.2	➤ Inquire and document the process the Licensee follows to ensure that it gives special attention to any dealings they may have with entities or persons domiciled in countries or territories which are: (a) Identified by the FATF as being ‘non-cooperative’; or (b) Notified to Licensees from time to time by the CBB. ➤ Inquire and document the process that the Licensee has established to re-examine the documents whenever there are transactions with such parties and if suspicion remains, then the transaction must be reported to the relevant authorities.	
102	FC-8.1.3	Inquire if the Licensee has policies and processes to perform 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.	
Terrorist Financing			

Appendix A to report dated [] 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
103	FC-8.2.1AA	➤ Inquire and document 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. ➤ Obtain the UNSCR directives issued by the CBB and for a selected sample of names appearing in the directives compare if there is any name match by comparing to the customers' list obtained in procedure 10. ➤ Inquire if the Licensee has records for freezing, without delay, the funds or other assets of, and has 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). ➤ If applicable, obtain the list of frozen accounts and inspect, on a sample basis, whether these accounts were reported to the CBB along with the freezing date after identification.	
104	FC-8.2.1	Inquire and document the Licensee's process for compliance 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	Inquire 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	Inquire if the Licensee has during the year dealt with persons or entities designated by the CBB as potentially linked to terrorist activity.	
107	FC-8.3.3.	Inquire if the Licensee has processes to report to the relevant authorities, details 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	Inspect the Licensee's update report provided to the CBB in relation to the issues raised in the prior period report.	

Sample Selection Matrix**Customers**

Population size	Sample Size
1 – 500	40
501– 1,000	50
1,001 – 10,000	60
10,001 – 50,000	120
50,001 and above	150

Transactions

Population size	Sample Size
1 – 5,000	40
5,001 – 10,000	50
10,001 – 50,000	60
50,001 – 100,000	120
100,001 and above	150

Notes:

1. The sample size for all procedures taken together must not be lower than the sample determined based on the above table. A table showing the sample selection and the distribution across the various types of procedures must also be included as an appendix to the AUP report.
2. For every sample, the population to choose from must be a representative sample and the period of coverage should be the 12 months relevant to the report. The sample sizes for the various procedures should be proportionate to the relative significance and risk based on the judgment of the Auditor.
3. Where there are procedures requiring the auditor to obtain a list, the AUP report must also indicate the relevant findings.
4. Where appropriate, the report must be accompanied by any corroborative material/evidence.