



FINANCIAL CRIME MODULE

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CHAPTER	FC-1: Customer Due Diligence Requirements

FC-1.1 General Requirements

Verification of Identity and Source of Funds

FC-1.1.1 Conventional bank licensees must establish effective systematic internal procedures for establishing and verifying the identity of their customers and the source of their funds. Such procedures must be set out in writing and approved by the licensee's senior management and must be strictly adhered to.

FC-1.1.2 Conventional bank licensees must implement the customer due diligence measures outlined in Chapters 1, 2 and 3 when:

- (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 conventional bank licensee has doubts about the veracity or adequacy of previously obtained customer due diligence information;
- (g) [This Sub-paragraph was deleted in July 2018];
- (h) Carrying out wire transfers irrespective of amount; or
- (i) There is a suspicion of money laundering or terrorist financing.

FC-1.1.2A Conventional bank licensees must understand, and as appropriate, obtain information on the purpose and intended nature of the business relationship.

FC-1.1.2B Conventional bank licensees must conduct ongoing due diligence on the business relationship, including:

- a) Scrutinizing 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; and.

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FC-1.1 General Requirements (continued)

- b) Ensuring that documents, data or information collected under the CDD process is kept up-to-date and relevant, by undertaking reviews of existing records, particularly for higher risk categories of customers.

FC-1.1.2C A conventional bank licensee must also review and update the customers' risk profile based on their level of ML/TF/PF risk upon onboarding and regularly throughout the life of the relationship. The risk management and mitigation measures implemented by a licensee must be commensurate with the risk profile of the customer or type of customer.

FC-1.1.3 For the purposes of this Module, 'customer' includes counterparties such as financial markets counterparties, except where financial institutions are acting as principals where simplified due diligence measures may sometimes apply. These simplified measures are set out in Section FC 1.11.

FC-1.1.4 The CBB's specific minimum standards to be followed with respect to verifying customer identity and source of funds are contained in Section FC-1.2. Enhanced requirements apply under certain high-risk situations: these requirements are contained in Sections FC-1.3 to FC-1.8 inclusive. Additional requirements apply where a conventional bank licensee is relying on a professional intermediary to perform certain parts of the customer due diligence process: these are detailed in Section FC-1.9. Simplified customer due diligence measures may apply in defined circumstances: these are set out in Section FC-1.11.

Verification of Third Parties

FC-1.1.5 Conventional bank licensees must obtain a signed statement, in hard copy or through digital means from all new customers confirming whether or not the customer is acting on his own behalf or not. This undertaking must be obtained prior to conducting any transactions with the customer concerned.

FC-1.1.6 Where a customer is acting on behalf of a third party, the conventional bank licensee must also obtain a signed statement from the third party, confirming they have given authority to the customer to act on their behalf. Where the third party is a legal person, the conventional bank licensee must have sight of the original Board resolution (or other applicable document) authorising the customer to act on the third party's behalf, and retain a certified copy.



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FC-1.1 General Requirements (continued)

FC-1.1.7

Conventional bank licensees must establish and verify the identity of the customer and (where applicable) the party/parties on whose behalf the customer is acting, including the Beneficial Owner of the funds. Verification must take place in accordance with the requirements specified in this Chapter.

FC-1.1.8

Where financial services are provided to a minor or other person lacking full legal capacity, the normal identification procedures as set out in this Chapter must be followed. In the case of minors, licensees must additionally verify the identity of the parent(s) or legal guardian(s). Where a third party on behalf of a person lacking full legal capacity wishes to open an account, the licensee must establish the identity of that third party as well as the intended account holder.

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. Licensees must also adopt risk management procedures with respect to the conditions under which a customer may utilise the business relationship prior to verification. 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, Commerce and Tourism; 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 undertaking initial customer due diligence provided that no disbursement of funds takes place in any of the above cases until after the requirements of these Chapters have been fully met.



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CHAPTER	FC-1:	Customer Due Diligence Requirements

FC-1.1 General Requirements (continued)

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.

Non-Resident Accounts

FC-1.1.12A

Conventional retail bank licensees that open bank accounts or otherwise transact or deal with non-resident customers must have documented criteria for acceptance of business from such persons. For non-resident customers, conventional retail bank licensees must ensure the following:

- Ensure there is a viable economic reason for the business relationship;
- Perform enhanced due diligence **where required in accordance with Paragraph FC-1.1.17;**
- Obtain and document the country of residence for tax purposes where relevant;
- Obtain evidence of banking relationships in the country of residence;
- Obtain the reasons for dealing with licensee in Bahrain;
- Obtain an indicative transaction volume and/or value of incoming funds; and
- Test that the persons are contactable without unreasonable delays.

FC-1.1.12B

Conventional retail bank licensees that open bank accounts or otherwise transact or deal with non-resident customers must have documented approved policies in place setting out the products and services which will be offered to non-resident customers. Such policy document must take into account a comprehensive risk assessment covering all risks associated with the products and services offered to non-residents. The licensee must also have detailed procedures to address the risks associated with the dealings with non-resident customers including procedures and processes relating to authentication, genuineness of transactions and their purpose.



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CHAPTER	FC-1:	Customer Due Diligence Requirements

FC-1.1 General Requirements (continued)

FC-1.1.12C Conventional bank licensees must not accept non-residents customers from high risk jurisdictions subject to a call for action by FATF.

FC-1.1.12D Conventional bank licensees must take adequate precautions and risk mitigation measures before onboarding non-resident customers from high risk jurisdictions. The licensees must establish detailed assessments and criteria that take into consideration FATF mutual evaluations, FATF guidance, the country national risk assessments (NRAs) and other available guidance on onboarding and retaining non-resident customers from the following high risk jurisdictions:

- a) Jurisdictions under increased monitoring by FATF;
- b) Countries upon which United Nations sanctions have been imposed except those referred to in Paragraph FC-1.1.12C; and
- c) Countries that are the subject of any other sanctions.

FC-1.1.12E ~~Conventional retail bank licensees that deal with non-resident customers, other than with financial institutions, listed companies and governmental authorities in FATF countries referred to in FC-1.1.1, must perform enhanced due diligence for all its non-resident customers before establishing the account relationship and, thereafter, also perform enhanced transaction monitoring throughout the course of the relationship with all non-resident customers.~~ [This Paragraph has been deleted in XX 2023]

FC-1.1.12F All conventional bank licensees must establish systems and measures that are proportional to the risk relevant to each jurisdiction and this must be documented. Such a document must show the risks, mitigation measures for each jurisdiction and for each non-resident customer.

FC-1.1.12G All conventional bank licensees must establish a comprehensive documented policy and procedures describing also the tools, methodology and systems that support the licensee's processes for:

- (a) The application of RBA;
- (b) Customer due diligence;
- (c) Ongoing transaction monitoring; and
- (d) Reporting in relation to their transactions or dealings with non-resident customers.

FC-1.1.12H Conventional bank licensees must ensure that only official/government documents are accepted for the purpose of information in Subparagraphs FC-1.2.1 (a) to (f) in the case of non-resident customers.



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CHAPTER	FC-1:	Customer Due Diligence Requirements

FC-1.1 General Requirements (continued)

FC-1.1.13

Where a non-resident customer intends to take up employment or to do business in Bahrain and has not completed residence permit and registration requirements and is currently awaiting receipt of his formal Bahraini identification documents, the licensee must open an account if requested by such customer, unless it has serious reasons to decline opening the account.

FC-1.1.13A

In complying with the requirements of Paragraph FC-1.1.13, examples of serious reasons for denying the request for opening an account may include failure to provide a valid passport. It may also include instances where a potential customer's conduct or activity appears suspicious or the customer's name appears in one of the local, regional or international sanction lists.

FC-1.1.13B

Where a company under formation in the Kingdom of Bahrain, which presents formal documents providing evidence that it has applied for and is awaiting its final commercial registration (CR), requests to open an account at a retail bank in Bahrain, the bank must open the requested account unless it has serious reasons to decline.

FC-1.1.13C

In complying with the requirements of Paragraph FC-1.1.13B, examples of serious reasons for denying the request for opening an account may include instances where a potential customer's conduct or activity appears suspicious or one of the principal's (shareholder or management) or the company under formation appears in one of the local, regional or international sanction lists.

FC-1.1.13D

Retail banks shall continue to open accounts for companies under formation, which have been granted a commercial registration but not yet completed all other formalities.

FC-1.1.13E

In order for the companies to operate the accounts, they shall be required to complete the KYC and other establishment requirements within a period of six months from the date of opening the account. The period of six months shall be extendable subject to a bilateral understanding between the two parties, taking into account the official required procedures of obtaining the license.

FC-1.1.13F

If the company under formation did not complete the license formalities nor submitted all required KYC documents to the subject bank within the agreed period and the company is not cooperating with the bank, the account of the company must be classified as dormant.

FC-1.1.13G

Retail banks must notify 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.

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FC-1.1 General Requirements (continued)

FC-1.1.13H Closure of the accounts thereafter shall be subject to the discretion of the bank.

FC-1.1.14 ~~Accounts opened for customers residing outside Bahrain, are subject to the enhanced customer due diligence measures outlined in Section FC-1.3. Licensees must not open accounts for natural persons residing outside the GCC through a digital onboarding process, excluding Golden Visa holders. [This Paragraph has been deleted in XX 2023]~~

FC-1.1.14A ~~Notwithstanding the requirement in Paragraph FC-1.1.14, conventional bank licensees may open accounts for Bahraini nationals not physically present in Bahrain through a digital onboarding process using the National E-KYC system, taking into consideration the risk-based approach requirements set out in Chapter FC-C and non-resident requirements set out in Paragraphs FC-1.1.12A to FC-1.1.12H. [This Paragraph has been deleted in XX 2023]~~

FC-1.1.14B ~~Licensees may open accounts for non-resident customers with Golden Visa taking into consideration the non-resident requirements set out in Paragraphs FC-1.1.12A to FC-1.1.12H. [This Paragraph has been deleted in XX 2023]~~

FC-1.1.15 Where a non-resident account is opened, the customer must be informed by the conventional 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.

FC-1.1.17 Conventional bank licensees must follow the below CDD and customer onboarding requirements:

	Enhanced Due Diligence	Digital Onboarding
Bahrainis and GCC nationals (wherever they reside) and expatriates resident in Bahrain	No	Yes
Others	Yes	Yes