# FINANCIAL CRIME MODULE



Volume 3: Insurance

MODULE FC (Financial Crime)	
	Table of Contents

			Date Last
			Changed
FC-A	Introduction	n	
	FC-A.1	Purpose	01/2022
	FC-A.2	Module History	01/2023
FC-B	Scope of Ap	pplication	
	FC-B.1	License Categories	10/2005
	FC-B.2	Types of Insurance Business	10/2005
	FC-B.3	Overseas Subsidiaries and Branches	01/2018
FC-C	Risk Based	Approach	
	FC-C.1	Risk Based Approach	01/2022
	FC-C.2	Risk Assessment	01/2023
FC-1	Customer D	Due Diligence	
	FC-1.1	General Requirements	XX/2023
	FC-1.2	Face-to-face Business	01/2022
	FC-1.3	Enhanced Customer Due Diligence:	01/2022
		General Requirements	
	FC-1.4	Enhanced Customer Due Diligence:	01/2022
		Non face-to-face Business and New Technologies	/
	FC-1.5	Enhanced Customer Due Diligence:	01/2022
	EC 4.7	Politically Exposed Persons ("PEPs")	04 /0000
	FC-1.6	Simplified Customer Due Diligence	01/2022
	FC-1.7	Introduced Business from Professional Intermediaries	01/2018
FC-2	AML / CFT	Γ Systems and Controls	
	FC-2.1	General Requirements	04/2020
	FC-2.2	On-going Customer Due Diligence and	01/2022
		Transaction Monitoring	
FC-3	Money Lau	ndering Reporting Officer (MLRO)	
	FC-3.1	Appointment of MLRO	10/2017
	FC-3.2	Responsibilities of the MLRO	10/2015
	FC-3.3	Compliance Monitoring	01/2022
FC-4	Suspicious '	Transaction Reporting	
	FC-4.1	Internal Reporting	10/2005
	FC-4.2	External Reporting	01/2018
	FC-4.3	Contacting the Relevant Authorities	10/2014
FC-5	Staff Trainin	ng and Recruitment	
	FC-5.1	General Requirements	01/2022

FC: Financial Crime
Table of Contents: Page 1 of 2

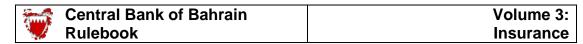


Volume 3: Insurance

MODULE FC (Financial Crime)		
Table of Contents		

		Current Issue
TO (		Date
FC-6	Record-keeping FC-6.1 General Requirements	01/2019
FC-7	NCCT Measures and Terrorist Financing	
	FC-7.1 Special Measures for 'NCCTs'	01/2018
	FC-7.2 Terrorist Financing	01/2023
	FC-7.3 Designated Persons and Entities	10/2005
FC-8	Enforcement Measures	
100	FC-8.1 Regulatory Penalties	10/2005
70.0		
FC-9	AML / CFT Guidance and Best Practice	/
	FC-9.1 Guidance Provided by International Bodies	10/2015
FC-10	Fraud	
	FC-10.1 General Requirements	10/2007
APPE	NDICES (included in Volume 3 (Insurance), Part B)	
CBB R	Reporting Forms	
Form N		
STR	Suspicious Transaction Reporting Form[Deleted i	n 07/2016
	July 2016]	
Supple	ementary Information	
Item Ni		
FC- (i)	Decree Law No. 4 (2001)	01/2006
FC-(i)(a	,	01/2007
FC-(i)(l		01/2007
FC- (ii)		01/2006
FC- (iii	•	01/2006
FC- (iv	·	10/2005
FC- (v)		01/2006

Table of Contents: Page 2 of 2



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

## FC-1.1 General Requirements

Verification of Identity and Source of Funds

FC-1.1.1

<u>Insurance licensees</u> must establish effective systematic internal procedures for establishing and verifying the identity of their <u>customers</u> and the source of their funds. Such procedures must be set out in writing and approved by the licensee's <u>senior management</u> and must be strictly adhered to.

FC-1.1.2

<u>Insurance licensees</u> must implement the customer due diligence measures outlined in this Chapter when:

- (a) Establishing business relations with a new or existing customer;
- (b) A change to the signatory or policyholder beneficiary is made;
- (c) A significant transaction takes place;
- (d) There is a material change in the terms of an insurance policy or in the manner in which the business relationship is conducted;
- (e) <u>Customer</u> documentation standards change substantially;
- (f) The <u>insurance licensee</u> has doubts about the veracity or adequacy of previously obtained customer due diligence information;
- (g) [This Sub-paragraph was deleted in July 2018]; or
- (h) There is a suspicion of money laundering or terrorist financing.

FC-1.1.2A

<u>Insurance licensees</u> must understand, and as appropriate, obtain information on the purpose and intended nature of the business relationship.

FC-1.1.2B

<u>Insurance licensees</u> must conduct ongoing due diligence on the business relationship, including:

- (a) Scrutinizing 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; and
- (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

An <u>insurance licensee</u> must also review and update the customer's risk profile based on their level of ML/TF/PF risk upon onboarding the customer and regularly throughout the life of the relationship. The risk management and mitigation measures implemented by a <u>licensee</u> must be commensurate with the risk profile of a particular customer or type of customer.

FC: Financial Crime Section FC-1.1: Page 1 of 6



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

## FC-1.1 General Requirements

FC-1.1.3

For the purposes of this Module, 'customer' includes counterparties such as reinsurers and financial markets counterparties, as well as persons insured by the licensee. However, in the case of group insurance policies (such as group life or medical), the requirements in this Module need not be applied to all <u>policyholders</u>: see Paragraph FC-1.2.13. For <u>insurance brokers</u>, 'customer' refers to <u>policyholders</u>.

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-1.5 inclusive. Simplified customer due diligence measures may apply in defined circumstances: these are set out in Section FC-1.6.

FC-1.1.5

Where an <u>insurance licensee</u> is dealing with an intermediary such as a broker, reliance may be placed on customer identification undertaken by the intermediary, if certain conditions are satisfied: please refer to Chapter FC-1.7.

#### Verification of Third Parties

FC-1.1.6

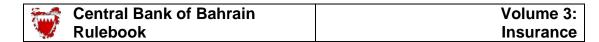
<u>Insurance licensees</u> must obtain a signed statement, in hard copy or through digital means from all new <u>customers</u> confirming whether or not the <u>customer</u> is acting on his own behalf or not. This undertaking must be obtained prior to conducting any transactions with the <u>customer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

FC-1.1.7

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

FC-1.1.8

<u>Insurance licensees</u> must establish and verify the identity of the <u>customer</u> and (where applicable) the party/parties on whose behalf the <u>customer</u> is acting. In the case of insurance policies, the identity of the beneficiaries must also be separately identified and verified, and the relationship between the insured party and the beneficiaries must be ascertained. Verification must take place in accordance with the requirements specified in this Chapter.



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

FC-1.1.9

If claims, commissions, and other monies are to be paid to persons (including partnerships, companies, etc.) other than the <u>policyholder</u>, then the identity of the proposed recipient of these monies must also be verified in accordance with the requirements specified in this Chapter.

FC-1.1.10

Where a policy is 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 subscribes to a policy, the licensee must establish the identity of that third party as well as the intended policyholder.

## Anonymous and Nominee Accounts

FC-1.1.11

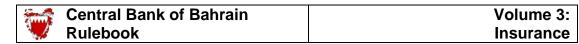
<u>Insurance licensees</u> must not establish or keep anonymous policies or policies in fictitious names. Where <u>insurance licensees</u> maintain a nominee account, which is controlled by or held for the benefit of another person, the identity of that person must be disclosed to the <u>insurance licensee</u> and verified by it in accordance with the requirements specified in this Chapter.

### Timing of Verification

FC-1.1.12

<u>Insurance licensees</u> must not commence a business relationship or undertake a transaction with a <u>customer</u> before completion of the relevant customer due diligence ('CDD') measures specified in this Chapter. <u>Licensees</u> 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 non-face-to-face business, or the subsequent submission of CDD documents by the <u>customer</u> after undertaking initial customer due diligence provided that no disbursement of funds takes place until after the requirements of this Chapter have been fully met.

FC: Financial Crime Section FC-1.1: Page 3 of 6



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

Incomplete Customer Due Diligence

FC-1.1.13

Where an <u>insurance licensee</u> is unable to comply with the requirements specified in this Chapter, it must consider whether to terminate the relationship or not proceed with the transaction. If funds have been received, these must be returned to the counterparty in the same method as originally received. If it proceeds with the transaction (to avoid tipping off the <u>customer</u>), it should additionally consider whether it should file a suspicious transaction report.

FC-1.1.14

See also Chapter FC-4, 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-1.1.14A

<u>Insurance licensees</u> that transact or deal with non-resident customers who are natural persons must have documented criteria for acceptance of business with such persons. For non-resident customers, <u>insurance licensees</u> must ensure the following:

- (a) Ensure there is a viable economic reason for the business relationship;
- (b) Perform enhanced due diligence where required in accordance with Paragraph FC-1.1.17;
- (c) Obtain and document the country of residence for tax purposes where relevant;
- (d) Obtain evidence of banking relationships in the country of residence;
- (e) Obtain the reasons for dealing with licensee in Bahrain; and
- (f) Test that the persons are contactable without unreasonable delays.



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

FC-1.1.14B

Insurance licensees that transact or deal with non-resident customers who are natural persons 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.

FC-1.1.14C

<u>Insurance licensees</u> must not accept non-residents customers from high risk jurisdictions subject to a call for action by FATF.

FC-1.1.14D

<u>Insurance licensees</u> must take adequate precautions and risk mitigation measures before onboarding non-resident customers from high risk jurisdictions. The <u>licensees</u> 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:

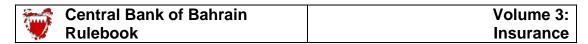
- (a) Jurisdictions under increased monitoring by FATF;
- (b) Countries upon which United Nations sanctions have been imposed except those referred to in Paragraph FC-1.1.12B; and
- (c) Countries that are the subject of any other sanctions.

FC-1.1.14E

Insurance licensees that deal with non-resident customers, other than with financial institutions, listed companies and governmental authorities in FATF countries referred to in FC-1.6.1, 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-1.1.14F

<u>Insurance licensees</u> 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.



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

FC-1.1.14G

<u>Insurance licensees</u> 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-1.1.14H

<u>Insurance licensees</u> must ensure that only the 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.

FC-1.1.14I

Customers residing outside Bahrain, are subject to the enhanced customer due diligence measures outlined in Section FC-1.3. <u>Licensees must not transact or deal with natural persons residing outside the GCC through a digital onboarding process.</u> [This Paragraph has been deleted in XX 2023]

Existing Customers

FC-1.1.15

[This Paragraph was deleted in October 2015.]

FC-1.1.16

[This Paragraph was deleted in October 2015.]

FC-1.1.17

Insurance 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