



# **FINANCIAL CRIME MODULE**



MODULE	FC (Financial Crime)
Table of Contents	

**Date Last  
Changed**

**FC-A Introduction**

FC-A.1	Purpose	01/2022
FC-A.2	Module History	01/2023

**FC-B Scope of Application**

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 Due Diligence**

<b>FC-1.1</b>	<b>General Requirements</b>	<b>XX/2023</b>
FC-1.2	Face-to-face Business	01/2022
FC-1.3	Enhanced Customer Due Diligence: General Requirements	01/2022
FC-1.4	Enhanced Customer Due Diligence: Non face-to-face Business and New Technologies	01/2022
FC-1.5	Enhanced Customer Due Diligence: Politically Exposed Persons (“PEPs”)	01/2022
FC-1.6	Simplified Customer Due Diligence	01/2022
FC-1.7	Introduced Business from Professional Intermediaries	01/2018

**FC-2 AML / CFT Systems and Controls**

FC-2.1	General Requirements	04/2020
FC-2.2	On-going Customer Due Diligence and Transaction Monitoring	01/2022

**FC-3 Money Laundering 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 Training and Recruitment**

FC-5.1	General Requirements	01/2022
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MODULE	FC (Financial Crime)
Table of Contents	

**Current Issue  
Date**

<b>FC-6 Record-keeping</b>		
FC-6.1	General Requirements	01/2019
<b>FC-7 NCCT Measures and Terrorist Financing</b>		
FC-7.1	Special Measures for 'NCCT's'	01/2018
FC-7.2	Terrorist Financing	01/2023
FC-7.3	Designated Persons and Entities	10/2005
<b>FC-8 Enforcement Measures</b>		
FC-8.1	Regulatory Penalties	10/2005
<b>FC-9 AML / CFT Guidance and Best Practice</b>		
FC-9.1	Guidance Provided by International Bodies	10/2015
<b>FC-10 Fraud</b>		
FC-10.1	General Requirements	10/2007

**APPENDICES (included in Volume 3 (Insurance), Part B)**

**CBB Reporting Forms**

<i>Form Name</i>	<i>Subject</i>	
STR	Suspicious Transaction Reporting Form [Deleted in July 2016]	07/2016

**Supplementary Information**

<i>Item Number</i>	<i>Subject</i>	
FC- (i)	Decree Law No. 4 (2001)	01/2006
FC-(i)(a)	Decree Law No. 54 (2006)	01/2007
FC-(i)(b)	Decree Law No. 58 (2006)	01/2007
FC- (ii)	UN Security Council Resolution 1373 (2001)	01/2006
FC- (iii)	UN Security Council Resolution 1267 (1999)	01/2006
FC- (iv)	Examples of Suspicious Transactions	10/2005
FC- (v)	Guidance Notes	01/2006



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

Insurance 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

Insurance licensees 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) Customer documentation standards change substantially;
- (f) The insurance licensee 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

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

#### FC-1.1.2B

Insurance licensees 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 insurance licensee 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 licensee must be commensurate with the risk profile of a particular customer or type of customer.



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 policyholders: see Paragraph FC-1.2.13. For insurance brokers, 'customer' refers to policyholders.

### 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 insurance licensee 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

Insurance 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-1.1.7

Where a customer is acting on behalf of a third party, the insurance 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 insurance 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.

### FC-1.1.8

Insurance licensees must establish and verify the identity of the customer and (where applicable) the party/parties on whose behalf the customer 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 General Requirements (continued)

**FC-1.1.9** If claims, commissions, and other monies are to be paid to persons (including partnerships, companies, etc.) other than the policyholder, 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** Insurance licensees must not establish or keep anonymous policies or policies in fictitious names. Where insurance 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 insurance licensee and verified by it in accordance with the requirements specified in this Chapter.

### *Timing of Verification*

**FC-1.1.12** Insurance licensees must not commence a business relationship or undertake a transaction with a customer before completion of the relevant customer due diligence ('CDD') measures specified in this Chapter. 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 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 until after the requirements of this Chapter have been fully met.



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

## FC-1.1 General Requirements (continued)

### *Incomplete Customer Due Diligence*

#### FC-1.1.13

Where an insurance licensee 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 customer), 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

Insurance licensees 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, insurance licensees 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	FC-1: Customer Due Diligence Requirements

## FC-1.1 General Requirements (continued)

### 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

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

### FC-1.1.14D

Insurance 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-1.1.12B; 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

Insurance 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.





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

## FC-1.1 General Requirements (continued)

**FC-1.1.14G** Insurance 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-1.1.14H** Insurance licensees 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. Licensees must not transact or deal with natural persons residing outside the GCC through a digital onboarding process. [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