



# **FINANCIAL CRIME MODULE**

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#### **APPENDICES (included in Volume 4 (Investment Business), Part B)**

##### **CBB Reporting Forms**

<i>Form Name</i>	<i>Subject</i>	
STR	<del>Suspicious Transaction Reporting Form</del> [Deleted in July 2016]	07/2016
MLRO	[This form is deleted 07/2010]	

##### **Supplementary Information**

<i>Item Number</i>	<i>Subject</i>	
FC-(i)	Decree Law No. 4 (2001)	04/2006
FC-(i)(a)	Decree Law No. 54 (2006)	07/2007
FC-(i)(b)	Decree Law No.58 (2006)	07/2007
FC-(ii)	UN Security Council Resolution 1373 (2001)	04/2006
FC-(iii)	UN Security Council Resolution 1267 (1999)	04/2006
FC-(iv)	Examples of Suspicious Transactions	04/2006
FC-(v)	Guidance Notes	04/2006

REGULATION	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** Investment firm 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 investment firm licensee's senior management and must be strictly adhered to.

**FC-1.1.2** Investment firm licensees must implement the customer due diligence measures outlined in Chapter FC-1 when:

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

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

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## FC-1.1 General Requirements (continued)

### FC-1.1.2B

Investment firm 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 and 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 investment firm 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.

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 apply. These simplified measures are set out in Section FC-1.8.

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, with further explanations provided in Guidance Notes (see Supplementary Information, item FC-(v), in Part B of Volume 4). Enhanced requirements apply under certain high-risk situations: these requirements are contained in Sections FC-1.3 to FC-1.5 inclusive. Additional requirements apply where a licensee is relying on a professional intermediary to perform certain parts of the customer due diligence process: these are detailed in Section FC-1.6. Simplified customer due diligence measures may apply in defined circumstances: these are set out in Section FC-1.8.

<b>MODULE</b>	<b>FC: Financial Crime</b>
<b>CHAPTER</b>	<b>FC-1: Customer Due Diligence Requirements</b>

## FC-1.1 General Requirements (continued)

### *Verification of Third Parties*

**FC-1.1.5** Investment firm 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 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 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-1.1.7** Investment firm 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, investment firm 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 business relations, the licensee must establish the identity of that third party as well as the person conducting the business.



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

## FC-1.1 General Requirements (continued)

### *Anonymous and Nominee Accounts*

#### FC-1.1.9

Investment firm licensees must not establish or keep anonymous accounts or accounts in fictitious names. Where investment firm 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 licensee and verified by it in accordance with the requirements specified in this Chapter.

### *Timing of Verification*

#### FC-1.1.10

Investment firm 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 Chapter FC-1. 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.

### *Incomplete Customer Due Diligence*

#### FC-1.1.11

Where a licensee is unable to comply with the requirements specified in Chapter FC-1, 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 (STR).

#### FC-1.1.12

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.



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

## FC-1.1 General Requirements (continued)

### *Non-Resident Accounts*

#### FC-1.1.12A

Investment firm licensees that open accounts or otherwise-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, assessed as high risk, investment firm 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-1.1.15;**
- 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

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

#### FC-1.1.12C

Investment firm 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:

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

#### FC-1.1.12D

Investment firm 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.



<b>MODULE</b>	<b>FC: Financial Crime</b>
<b>CHAPTER</b>	<b>FC-1: Customer Due Diligence Requirements</b>

## FC-1.1 General Requirements (continued)

**FC-1.1.12E** Investment firm 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-1.1.12F** Investment firm 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-1.1.12G** ~~Customers residing outside Bahrain, are subject to the enhanced customer due diligence measures outlined in Section FC-1.3. [This Paragraph has been deleted in XX 2023]~~

**FC-1.1.13** [This Paragraph was deleted in October 2014.]

FC-1.1.14 [This Paragraph was deleted in October 2014.]

**FC-1.1.15** Investment firm licensees must follow the below CDD and customer onboarding requirements:

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