



FINANCIAL CRIME MODULE



MODULE	FC (Financial Crime)	
CHAPTER	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	Scope of Application	01/2022
FC-B.2	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		
FC-1.1	General Requirements	XX/2023
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	Enhanced CDD for Charities, Clubs and Societies	10/2019
FC-1.7	Introduced Business from Professional Intermediaries	01/2018
FC-1.8	Shell Banks	10/2019
FC-1.9	Enhanced Due Diligence: Cross Border Cash Transactions by Courier	07/2018
FC-1.10	Simplified Customer Due Diligence	01/2022
FC-2 AML / CFT Systems and Controls		
FC-2.1	General Requirements	01/2022
FC-2.2	Ongoing Customer Due Diligence and Transaction Monitoring	01/2022
FC-3 Money Transfers and Alternative Remittances		
FC-3.1	Electronic Transfers	01/2022
FC-3.2	Remittances on Behalf of other Money Transferors	10/2010
FC-4 Money Laundering Reporting Officer (MLRO)		
FC-4.1	Appointment of MLRO	10/2019
FC-4.2	Responsibilities of the MLRO	10/2019
FC-4.3	Compliance monitoring	01/2022



MODULE	FC (Financial Crime)
CHAPTER	Table of Contents (continued)

	Date Last Changed
FC-5 Suspicious Transaction Reporting	
FC-5.1 Internal Reporting	10/2010
FC-5.2 External Reporting	10/2019
FC-5.3 Contacting the Relevant Authorities	10/2019
FC-6 Staff Training and Recruitment	
FC-6.1 General Requirements	01/2022
FC-7 Record Keeping	
FC-7.1 General Requirements	04/2013
FC-8 AML & CFT Measures	
FC-8.1 Special Measures for 'NCCT's	01/2018
FC-8.2 Terrorist Financing	01/2023
FC-8.3 Designated Persons and Entities	10/2010
FC-9 Enforcement Measures	
FC-9.1 Regulatory Penalties	10/2010
FC-10 AML / CFT Guidance and Best Practice	
FC-10.1 Guidance Provided by International Bodies	10/2010
FC-11 Fraud	
FC-11.1 General Requirements	10/2010



MODULE	FC (Financial Crime)
CHAPTER	Table of Contents (continued)

**Date Last
Changed**

APPENDICES (Volume 5, 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)	Amiri Decree Law No. 4 (2001)	01/2011
FC-(i)(a)	Decree Law No.54 (2006)	01/2011
FC-(i)(b)	Decree Law No.58 (2006)	01/2011
FC-(ii)	UN Security Council Resolution 1373 (2001)	01/2011
FC-(iii)	UN Security Council Resolution 1267 (1999)	01/2011
FC-(iv)	Examples of Suspicious Transactions	01/2011
FC-(v)	Guidance Notes	01/2011



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

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. They must be strictly adhered to.

FC-1.1.2

Licensees must implement the customer due diligence measures outlined in Chapters 1, 2 and 3 when:

- (a) [This Sub-paragraph was deleted in July 2018];
- (b) Carrying out wire transfers (of the equivalent of US\$1,000 or above) (particularly relevant for money changers);
- (c) Establishing business relations with a new or existing customer;
- (d) A change to the signatory or beneficiary of an existing account or business relationship is made;
- (e) Customer documentation standards change substantially;
- (f) The licensee has doubts about the veracity or adequacy of previously obtained customer due diligence information;
- (g) A significant transaction takes place (see FC-2.2.3);
- (h) 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
- (i) There is a suspicion of money laundering or terrorist financing.

FC-1.1.2A

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



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

FC-1.1 General Requirements (continued)

FC-1.1.2B

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
- (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

Licensees 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

Representative office licensees are not allowed to undertake business directly with customers. However, they may be assigned by the Head Office to contact new or existing customers on their behalf, in this case they must pay regard to (c) – (f) and (h-i) customer due diligence measures listed under FC-1.1.2 above.

FC-1.1.4

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 1.10. For the representative office licensees, 'customer' includes customers of the HO that the Representative office liaises with for general purposes. Examples might include general inquiries and inquiries regarding the accuracy of customer information.



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

FC-1.1 General Requirements (continued)

FC-1.1.5 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 and in the Guidance Notes (See Supplementary Information, FC-7 in Part B of the Rulebook). Enhanced requirements apply under certain high-risk situations: these requirements are contained in Sections FC-1.3 to FC-1.9 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-1.7. Simplified customer due diligence measures may apply in defined circumstances: these are set out in Section FC-1.10.

FC-1.1.5A

Financing company licensees and payment service providers must not onboard natural persons resident in countries outside the GCC through digital onboarding process. Onboarding of customers resident outside Bahrain must be subject to the enhanced due diligence requirements outlined in Section FC-1.3.

FC-1.1.5B

Money changers must not register persons identified as having high-risk profiles, including those whose CPR has expired, for the purposes of the use of online channels or applications, without conducting the enhanced due diligence requirements outlined in Section FC-1.3.

Verification of Third Parties

FC-1.1.6

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.



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

FC-1.1 General Requirements (continued)

FC-1.1.7

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. Representative office licensees must obtain a signed statement from all new customers confirming whether or not the customer is acting on their own behalf or not.

FC-1.1.8

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-1.1.9

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 business relations, the licensee must establish the identity of that third party as well as the person conducting the business.

Anonymous and Nominee Accounts

FC-1.1.10

Licensees must not establish or keep anonymous accounts or accounts in fictitious names. Where 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.



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

FC-1.1 General Requirements (continued)

Timing of Verification

FC-1.1.11

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 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-1.1.12

Where a licensee is unable to comply with the requirements specified in Chapters 1, 2 and 3, it must consider whether to terminate the relationship or not proceed with the transaction. 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-1.1.13 See also Chapter FC-5, which covers the filing of suspicious transaction reports.

Non-Resident Accounts

FC-1.1.13A

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, 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-1.1.14;
- 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.



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

FC-1.1 General Requirements (continued)

FC-1.1.13B

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-1.1.13C

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

FC-1.1.13D

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-1.1.13B; and
- (c) Countries that are the subject of any other sanctions.

FC-1.1.13E

~~Licensees that deal with non-resident customers, other than with financial institutions, listed companies and governmental authorities in FATF countries referred to in FC-1.10.1, 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-1.1.13F

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-1.1.13G 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-1.1.13H 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-1.1.13I ~~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]~~

FC-1.1.14 Licensees must follow the below CDD and customer on-boarding requirements:

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