

# **SUPPLEMENTARY INFORMATION**

## **APPENDIX AML-(vi)**

**Agreed-upon Procedures for fulfilling the reporting requirements in Compliance with AML Module (Anti-Money Laundering & Combating of Financial Crime)**

PRIVATE AND CONFIDENTIAL

Date

The Board of Directors  
XYZ B.S.C  
P O Box xxx  
Manama  
Kingdom of Bahrain

**XYZ B.S.C. (the “Capital Market Service Provider”)  
Agreed-upon procedures relating to compliance with Module AML (Anti-Money Laundering &  
Combating of Financial Crime) of the CBB Rulebook Volume 6**

Dear Sirs

We have performed the procedures agreed with you, and enumerated in the attached Appendix A with respect to the Capital Market Service Provider ’s compliance with Anti-Money Laundering & Combating of Financial Crime Module of (Volume 6) of the Rulebook issued by the Central Bank of Bahrain (the CBB). The procedures were performed pursuant to the Capital Market Service Provider ’s obligation under AML-3.3.1B of the CBB Rulebook. The procedures performed were solely to assist you in fulfilling your reporting requirements in accordance with AML Module and cover the period from 1 January to 31 December 20XX. The procedures performed and our findings are set forth in Appendix A to this report.

Our engagement was undertaken in accordance with the International Standard on Related Services 4400 applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in fulfilling your reporting requirements in accordance with AML Module.

Because these agreed upon procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on compliance with AML Module.

Had we performed additional procedures or had we performed an audit or review of the Capital Market Service Provider ’s compliance with AML Module in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the second paragraph of this report and is for the use of the Capital Market Service Provider and the CBB and is not to be used for any other purpose or to be distributed in whole or in part to any other parties. This report relates only to matters specified in the first paragraph of this report and does not extend to any financial statements of the Capital Market Service Provider, taken as a whole.

Yours faithfully

Name of Individual Signing the Report  
Name of Firm  
Manama, Kingdom of Bahrain

Attachment: Appendix A  
Appendix B

**Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with Anti-Money Laundering & Combating of Financial Crime Module (AML) of the Rulebook**

<i>Sr. No.</i>	<i>Reference to CBB Rulebook Volume</i> 6	<i>Procedures</i>	<i>Findings based on procedures performed</i>
<b>General Requirements</b>			
<b>Natural and Legal Persons Requirements</b>			
1	AML-1.1.2A AML-1.1.5 AML-1.1.6 AML-1.1.7 AML-1.1.8	<ul style="list-style-type: none"> <li>➤ Obtain a list of new business relationships entered into by the Capital Market Service Provider during the year.</li> <li>➤ For a representative sample (See Appendix B for sample size selection), inspect if the Capital Market Service Provider has obtained / performed the following:               <ul style="list-style-type: none"> <li>(a) Documented the purpose and intended nature of the business relationship;</li> <li>(b) Obtained the signature of the customer;</li> <li>(c) Obtained a signed statement from all new customers confirming whether or not the customer is acting on their own behalf or for a beneficial owner;</li> <li>(d) Obtained the signed statement above prior to conducting any transactions with the customer concerned;</li> <li>(e) Where a customer is acting on behalf of a third party, a signed statement must be obtained from the third party; and</li> <li>(f) In the case of minors, additionally verified the identity of the parent(s) or legal guardian(s).</li> </ul> </li> </ul>	
2	AML-1.1.2	<p>Inquire that the Capital Market Service Provider has implemented the customer due diligence measures outlined in Chapter AML-1 when:</p> <ul style="list-style-type: none"> <li>(a) Establishing business relations with a new or existing customer;</li> <li>(b) A change to the signatory or beneficiary of an existing account or business relationship is made;</li> <li>(c) A significant transaction takes place (AML-2.2.3);</li> <li>(d) There is a material change in the way that an account is operated or in the manner in which the business relationship is conducted;</li> <li>(e) Customer documentation standards change substantially;</li> <li>(f) The Capital Market Service Provider has doubts about the veracity or adequacy of previously obtained customer due diligence information;</li> <li>(g) There is a suspicion of money laundering or terrorist financing.</li> </ul>	

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3	AML-1.1.2B AML-2.2.10	<ul style="list-style-type: none"> <li>➤ Inspect documented processes and tools used by the Capital Market Service Provider for ongoing due diligence of customers.</li> <li>➤ For a sample of customers, inspect that the Capital Market Service Provider has documented the following as part of its ongoing due diligence process:               <ul style="list-style-type: none"> <li>(a) Account activity and transaction behaviour;</li> <li>(b) Patterns and unusual transactions;</li> <li>(c) Consistency with Capital Market Service Provider’s knowledge of customer’s use of the Capital Market Service Provider’s services;</li> <li>(d) Customer’s business risk;</li> <li>(e) Risk profile at the time of on-boarding and type of CDD undertaken; and</li> <li>(f) Current assessment of risk.</li> </ul> </li> </ul>	
<b><i>Customer Due Diligence – Verification of Identity and Source of Funds</i></b>			
4	AML-1.1.1 AML-2.1.1	For the sample of customers selected in procedure 3, inspect that the Capital Market Service Provider has documented the identity of its customers and the source of funds in accordance with the procedures as set out in writing and approved by the Capital Market Service Provider’s Board of Directors and senior management (as applicable).	
5	AML-1.1.1 AML-2.1.1 AML-2.1.2	<ul style="list-style-type: none"> <li>➤ Inspect that the written policies and procedures are approved by the Capital Market Service Provider’s Board of Directors and senior management (as applicable).</li> <li>➤ Inquire on the frequency of revisions to AML/CFT policies and procedures made by the Capital Market Service Provider and inspect the date of the last review and approval.</li> <li>➤ Compare the policies and procedures of the Capital Market Service Provider to the requirements set out in the AML Module.</li> <li>➤ Inspect the documented policies and procedures of the Capital Market Service Provider to see if they cover customer acceptance, on-going monitoring, staff training and screening procedures for hiring employees.</li> </ul>	
<b><i>Face-to-face Business</i></b>			
<b><i>Customer Due Diligence – Natural Persons</i></b>			

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6	AML-1.2.1	<p>Select the sample of customers representing natural persons in procedure 1 and inspect that the Capital Market Service Provider has obtained the following information for its customers (in hard copy or electronic form):</p> <ul style="list-style-type: none"> <li>(a) Full legal name and any other names used;</li> <li>(b) Full permanent address (i.e. the residential address of the customer; a post office box is insufficient);</li> <li>(c) Date and place of birth;</li> <li>(d) Nationality;</li> <li>(e) Passport number (if the customer is a passport holder);</li> <li>(f) CPR or Iqama number (for residents of Bahrain or GCC states);</li> <li>(g) Telephone/fax number and email address (where applicable);</li> <li>(h) Occupation or public position held (where applicable);</li> <li>(i) Employer's name and address (if self-employed, the nature of the self-employment);</li> <li>(j) Type of account and nature and volume of anticipated business dealings with the Capital Market Service Provider is recorded;</li> <li>(k) Signature of the customer(s);</li> <li>(l) Source of funds; and</li> <li>(m) Source of Securities.</li> </ul>	
7	AML-1.2.3	<p>For the sample selected in procedure 6, inspect that the Capital Market Service Provider has documented the verification of information in Paragraph AML-1.2.1 (a) to (f) by following the methods below, and, at least one of the copies of the identification documents mentioned in (a) and (b) must include a clear photograph of the customer:</p> <ul style="list-style-type: none"> <li>(a) Confirmation of the date of birth and legal name by taking a copy of a current valid, official, original identification document (e.g. birth certificate, passport, CPR or Iqama);</li> <li>(b) Confirmation of the permanent residential address by taking a copy of a recent utility bill, bank statement or similar statement from a CBB Licensee, or some form of official correspondence or official documentation card, such as CPR, from a public/governmental authority, or record of home visit by an official of the Capital Market Service Provider; and</li> <li>(c) Where appropriate, direct contact with the customer by phone, letter or email to confirm relevant information, such as residential address.</li> </ul>	

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8	AML-1.2.4	For the sample selected in procedure 6: ➤ Inspect documentation by authorised officials of the Capital Market Service Provider for certification of the copy by writing on it the words “originals sighted” with the date and signature. ➤ Inquire and document the measures taken by the Capital Market Service Provider for electronic copies.	
9	AML-1.2.5	For the sample of customers selected in procedure 6 above and where identity documents are not received by an authorised official of the Capital Market Service Provider, inspect that the Capital Market Service Provider has obtained certified copies from one of the following GCC or FATF member state: (a) A lawyer; (b) A notary; (c) A chartered/certified accountant; (d) An official of a government ministry; or (e) An official of an embassy or consulate.	
<b><i>Customer Due Diligence – Anonymous and Nominee Accounts</i></b>			
10	AML-1.1.9	➤ Inquire that the Capital Market Service Provider has not established or kept anonymous accounts or accounts in fictitious names and has scanned the system for code names, unusual names etc. in the customer database and general ledger. ➤ Obtain the list of customers as of the reporting date and observe if the list has any anonymous accounts. ➤ Obtain a listing of nominee accounts and inspect that the Capital Market Service Provider has obtained the identity in accordance with the requirements in Chapter AML-1, where a nominee account which is controlled by or held for the benefit of another person is maintained.	
<b><i>Customer Due Diligence –Timing of Verification</i></b>			

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11	AML-1.1.10	<ul style="list-style-type: none"> <li>➤ For a sample of new customers during the year, inspect that the date of KYC completion and origination of the transaction has not commenced prior to the completion of the CDD measure except in situations allowed under the rule (see note below).</li> <li>➤ Inquire and document the end to end process followed by the Capital Market Service Provider for completing the KYC process.</li> <li>➤ Inquire that the creation of the account in the system and the processing of any transactions have taken place after the date of completing the KYC procedures.</li> <li>➤ Obtain a listing of new customers as of a date during the reporting period and observe if the KYC process is completed.</li> </ul> <p>Note: KYC verifications may be completed after the receipt of funds but no disbursement of funds should take place in any of the following cases:</p> <ul style="list-style-type: none"> <li>(a) Non-face-to-face business, or</li> <li>(b) The subsequent submission of CDD documents by the customer after initial face-to face contact.</li> </ul>	
<b><i>Customer Due Diligence – Incomplete Customer Due Diligence</i></b>			
12	AML-1.1.11	<ul style="list-style-type: none"> <li>➤ Inquire with the MLRO if there were any situations where the Capital Market Service Provider was unable to comply with the requirements specified in Chapters 1, 2 and 3.</li> <li>➤ If such situations exist, inquire whether documentary evidence exist and if the Capital Market Service Provider has considered whether it should terminate the relationship or not proceed with the transaction. If the Capital Market Service Provider decided to proceed with the transaction, inspect if the Capital Market Service Provider has additionally considered whether it should file a STR.</li> </ul>	
<b><i>Customer Due Diligence - Legal Entities or Legal Arrangements (such as Trusts)</i></b>			

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13	AML-1.2.7	<ul style="list-style-type: none"> <li>➤ From the sample of customers under procedure 1, extract a listing of all legal entities or legal arrangements such as trusts as of financial year end.</li> <li>➤ For a sample of such customers, inspect that the Capital Market Service Provider has obtained the following information from original identification documents, databases or websites in hard copy or electronic form to identify the customer (i.e. in the case of a customer which is a legal entity or where there is a legal arrangement, e.g. a trust) and to take reasonable measures to verify its identity:               <ul style="list-style-type: none"> <li>(a) The entity's full name and other trading names used;</li> <li>(b) Registration number (or equivalent);</li> <li>(c) Legal form and proof of existence;</li> <li>(d) Registered address and trading address (including a branch where applicable);</li> <li>(e) Objectives and type of business activity;</li> <li>(f) Date and place of incorporation or establishment;</li> <li>(g) Telephone, fax number and email address;</li> <li>(h) Regulatory body or listing body (for regulated activities such as financial services and listed companies);</li> <li>(i) The names of the relevant persons having a senior management position in the legal entity or legal arrangement;</li> <li>(j) Name of the external auditor (where applicable);</li> <li>(k) Type of account, nature and volume of anticipated business dealings with the Capital Market Service Provider;</li> <li>(l) Source of funds; and</li> <li>(m) Legal representative, such as Trustees or trusts.</li> </ul> </li> </ul>	



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14	AML-1.2.8	<p>For the sample selected for procedure 13, inspect that the Capital Market Service Provider has documented the verification of the certified copies of the following documents, as applicable, and depending on the legal form of the entity:</p> <ul style="list-style-type: none"> <li>(a) Certificate of incorporation and/or certificate of commercial registration or trust deed;</li> <li>(b) Memorandum and Article of association;</li> <li>(c) Partnership agreement;</li> <li>(d) Board resolution seeking the capital market services (only necessary in the case of private or unlisted companies);</li> <li>(e) Identification documentation of the authorised signatories to the account (certification not necessary for companies listed in a GCC/FATF state);</li> <li>(f) Copy of the latest financial report and accounts, audited where possible (audited copies do not need to be certified); and</li> <li>(g) List of authorised signatories of the company for the account and a Board resolution (or other applicable document) authorising the named signatories or their agent to operate the account (resolution only necessary for private or unlisted companies).</li> </ul>	
15	AML-1.2.8A	<p>For the customers who are legal persons in the sample selected for procedure 13, inspect that the Capital Market Service Provider has documented the identification and verification of identity of the beneficial owners for customers that are legal persons through the following information:</p> <ul style="list-style-type: none"> <li>(a) The identity of the natural person(s) who ultimately have a controlling ownership interest in a legal person, and</li> <li>(b) To the extent that there is doubt under (a) as to whether the person(s) with the controlling ownership interest is the beneficial owner(s), or where no natural person exerts control of the legal person or arrangement through other means; and</li> <li>(c) Where no natural person is identified under (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official.</li> </ul>	
16	AML-1.2.9	<p>For the sample selected for procedure 13, inspect , that the Capital Market Service Provider has ensured that documents obtained to satisfy the requirements in AML-1.2.8 are certified in the manner specified in AML-1.2.4 to AML-1.2.6.</p>	

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17	AML-1.2.11	<ul style="list-style-type: none"> <li>➤ For the sample selected in procedure 13, inspect that the Capital Market Service Provider has obtained and documented the following due diligence information:               <ul style="list-style-type: none"> <li>(a) The structure of the legal entity or trust sufficient to determine and verify the identity of the ultimate beneficial owner of the funds or securities, the ultimate provider of funds or securities (if different), and the ultimate controller of the funds or securities (if different);</li> <li>(b) Status of the legal entity i.e. whether it has been or is in the process of being wound up, dissolved, struck off or terminated;</li> <li>(c) The names, country of residence and nationality of Directors or partners (only necessary for private or unlisted companies);</li> <li>(d) Updates on any changes to corporate ownership and/or legal structure;</li> <li>(e) The identity of shareholders holding 20% or more of the issued capital (where applicable). The requirement to verify the identity of these shareholders does not apply in the case of FATF/GCC listed companies;</li> <li>(f) In the case of trusts or similar arrangements, the identity of the settler(s), trustee(s) and beneficiaries (including making such enquiries as to ascertain the identity of any other potential beneficiary in addition to the named beneficiaries of the trust); and</li> <li>(g) Inquire if the Capital Market Service Provider had any grounds for questioning the authenticity of the information supplied by a customer, and if so, inquire what additional due diligence was conducted to check the above information.</li> </ul> </li> <li>➤ Inquire if these due diligence requirements have been included in the Capital Market Service Provider's new business procedures.</li> </ul>	

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<b><i>Enhanced Customer Due Diligence: General Requirements</i></b>			
18	AML-1.3.1	<ul style="list-style-type: none"> <li>➤ Obtain a list of higher risk customers identified by the Capital Market Service Provider during the year.</li> <li>➤ For a sample selected, inspect that the Capital Market Service Provider has performed enhanced customer due diligence on those customers identified as having a higher risk profile.</li> </ul>	
<b><i>Enhanced Customer Due Diligence: Non face-to-face Business and New Technologies</i></b>			
19	AML-1.4.1	<ul style="list-style-type: none"> <li>➤ Inquire if the Capital Market Service Provider has established specific procedures for verifying customer identity.</li> <li>➤ Compare the Capital Market Service Provider's procedures for the identification and verification of customer identity documentation with the enhanced customer due diligence requirements stipulated in the AML Module for non-face-to-face business and new technologies.</li> </ul>	
20	AML-1.4.2	<ul style="list-style-type: none"> <li>➤ Obtain a list of non-face-to-face business customers as of the financial year-end.</li> <li>➤ Inspect and document the measures taken by the Capital Market Service Provider to ascertain the following:               <ul style="list-style-type: none"> <li>(a) The customer is the person they claim to be; and</li> <li>(b) The address provided is genuinely the customer's.</li> </ul> </li> </ul>	
21	AML-1.4.4	<ul style="list-style-type: none"> <li>➤ Obtain the Board approved policies and procedures to prevent the misuse of technological developments in money laundering or terrorist financing schemes.</li> <li>➤ For the Capital Market Service Provider which provides electronic services to their customers, inquire if the Capital Market Service Provider has a software program to highlight all unusual transactions so as to enable the concerned Capital Market Service Provider to report such transactions.</li> <li>➤ Where the Capital Market Service Provider has such software, inquire and document the relevant parameters of the software that identifies the unusual transactions.</li> </ul>	
22	AML-1.4.5	<ul style="list-style-type: none"> <li>➤ Inquire if the Capital Market Service Provider has policy and procedure to identify and assess the money laundering or terrorist financing risks that may arise in relation to:               <ul style="list-style-type: none"> <li>(a) New products and new business practices including new delivery mechanisms; and</li> <li>(b) The use of new or developing technologies for both new and pre-existing products.</li> </ul> </li> <li>➤ Obtain a listing of new products or services launched during the year and inquire if the above procedures were applied.</li> </ul>	
23	AML-1.4.6	For a sample of new products or services, inspect that the Capital Market Service Provider has documented the risk assessment prior to their launch.	
<b><i>Enhanced Customer Due Diligence: Politically Exposed Persons ('PEPs')</i></b>			

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24	AML-1.5.1 AML-1.5.2 AML-1.5.3 AML-1.5.3A	<ul style="list-style-type: none"> <li>➤ Inquire that the Capital Market Service Provider has established risk management systems, such as publicly available databases to determine whether a customer or beneficial owner is a Politically Exposed Person ('PEP'), both at the time of establishing business relations and thereafter on a periodic basis. This also should include the acceptance policy with regards to PEP.               <ul style="list-style-type: none"> <li>(a) Inquire and document the Capital Market Service Provider's definition of publicly available database to establish whether a customer is a PEP.</li> <li>(b) Inspect on a sample basis that the policy is implemented.</li> </ul> </li> <li>➤ Obtain a list of PEP customers as of the year end. For a sample of such PEP customers, inspect that the Capital Market Service Provider has obtained senior management approval before a PEP is accepted as a customer.</li> <li>➤ For the sample of PEP customers selected above, inspect that the Capital Market Service Provider has documentation of the following measures for existing PEP customers or subsequently when he becomes a PEP:               <ul style="list-style-type: none"> <li>(a) Analysis of complex financial structures, including trusts, foundations or international business corporations;</li> <li>(b) A written record in the customer file to ensure that reasonable measures have been taken to establish both the source of wealth and the source of funds;</li> <li>(c) Development of a profile of anticipated customer activity to be used in on-going monitoring;</li> <li>(d) Approval of senior management for allowing the customer relationship to continue; and</li> <li>(e) Documented evidence of on-going account monitoring of the PEP's account by senior management (such as the MLRO).</li> </ul> </li> <li>➤ For a sample of higher risk business relationships with such persons mentioned in Paragraph AML-1.5.1, inspect if the Capital Market Service Provider has applied at a minimum, the measures referred to in (b) (d) and (e) of Paragraph AML-1.5.3.</li> </ul>	
25	FC-1.5.3B	Inquire if the Capital Market Service Provider has applied all PEP requirements to family or close associates of such PEPs.	
<b><i>Enhanced Due Diligence: Charities, Clubs and Other Societies</i></b>			
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	AML-1.6.1	<ul style="list-style-type: none"> <li>➤ Obtain a list of all charitable, religious, sporting, social, cooperative and professional funds and other societies to which financial services were provided during the year.</li> <li>➤ Select a sample covering all types of institutions noted above from the list obtained and inspect that the services were not provided before obtaining an original certificate authenticated by the relevant Ministry confirming the identities of those purporting to act on their behalf (and authorising them to obtain the said service).</li> <li>➤ Inspect that the Capital Market Service Provider has contacted General Organisation for Youth and Sports (GOYS) to clarify whether the account for clubs and societies registered with GOYS may be opened in accordance with the rules of GOYS.</li> </ul>	
27	AML-1.6.3	<ul style="list-style-type: none"> <li>➤ For charities, out of the sample selected above, inspect the documents to observe if the Capital Market Service Provider has applied enhanced transaction monitoring procedures.</li> <li>➤ Inspect the records to observe if the Capital Market Service Provider has developed a profile of anticipated account activity (in terms of payee countries and recipient organisations in particular).</li> </ul>	
28	AML-1.6.4	<ul style="list-style-type: none"> <li>➤ Obtain a list of all payments and transfers of BD3,000 (or equivalent in foreign currencies) and above during the year from accounts held by charities registered in Bahrain.</li> <li>➤ Obtain the monthly report submitted by the Capital Market Service Provider to the CBB's Compliance Directorate and compare it to the above list to confirm that the payments were reported giving details of the amount transferred, account name and number, beneficiary name and bank details.</li> <li>➤ Inquire if the Capital Market Service Provider has ensured that the transfers are in accordance with the spending plans of the charity (in terms of amount, recipient and country).</li> </ul>	
29	AML-1.6.5	For the sample selected in procedure 26, inspect that the Capital Market Service Provider has obtained an official letter from the Ministry of Social Development authorising incoming and/or outgoing wire transfers from or to any foreign country.	
<b>Enhanced Due Diligence: 'Pooled Funds'</b>			
30	AML-1.7.1	For a sample selected, check that the Capital Market Service Provider, when receiving pooled funds managed by professional intermediaries, has applied CDD measures contained in Section AML-1.8 to the professional intermediary.	
31	AML-1.7.2	<ul style="list-style-type: none"> <li>➤ Obtain a list of accounts where sub accounts are created for each beneficiary as of date during the reporting period.</li> <li>➤ For a sample of such accounts, inspect that the Capital Market Service Provider has documented its verification of the identity of all sub accounts (beneficial owners) in accordance with the requirements in Section AML-1.2.</li> </ul>	

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32	AML-1.7.3	For accounts held by intermediaries where funds are commingled, inquire with the MLRO regarding efforts made by the Capital Market Service Provider (in the context of the nature and amount of the funds received) to look beyond the intermediary and determine the identity of the beneficial owners or underlying clients.	
33	AML-1.7.4	<ul style="list-style-type: none"> <li>➤ Obtain a list of foreign intermediaries that the Capital Market Service Provider has dealt with during the year. For a sample of such intermediaries, inspect that the Capital Market Service Provider has documented that the intermediary is supervised for compliance with requirements to combat money laundering and terrorist financing, consistent with the FATF Recommendations.</li> <li>➤ For a sample of accounts held by intermediaries from foreign jurisdictions, inspect that the Capital Market Service Provider has obtained documentary evidence to support the case for not carrying out customer due diligence measures beyond identifying the intermediary.</li> <li>➤ Inquire if the Capital Market Service Provider has satisfied itself that the intermediary has identified the underlying beneficiaries and has the systems and controls to allocate the assets in the pooled accounts to the relevant beneficiaries.</li> </ul>	
34	AML-1.7.5	Obtain a list of all intermediaries that the Capital Market Service Provider dealt with, take a sample of such intermediaries and inspect the following: (a) The Capital Market Service Provider has obtained confirmation from the intermediary that they can provide required information on beneficial owners; (b) They are subject to same due diligence standards referred to above; and (c) If (a) or (b) are not present, observe that the CBB's written permission was obtained.	
<b><i>Introduced Business from Professional Intermediaries</i></b>			
35	AML-1.8.1	<ul style="list-style-type: none"> <li>➤ For a selected sample, inquire that the Capital Market Service Provider has only accepted customers introduced to it by other Capital Market Service Providers, financial institutions or intermediaries, if the introducer concerned is subject to FATF-equivalent measures and customer due diligence measures.</li> <li>➤ Obtain a list of counterparties to whom the Capital Market Service Provider has delegated CDD responsibilities. For a sample of such counterparties, inspect that the contractual agreements retain the responsibility for the CDD with the Capital Market Service Provider.</li> </ul>	

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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
36	AML-1.8.2	<p>Select a sample and inspect if the Capital Market Service Provider has only accepted introduced business, if all of the following conditions are satisfied:</p> <p>(a) The customer due diligence measures applied by the introducer are consistent with those required by the FATF Recommendations;</p> <p>(b) A formal agreement is in place defining the respective roles of the Capital Market Service Provider and the introducer in relation to customer due diligence measures. The agreement must specify that the customer due diligence measures of the introducer will comply with the FATF Recommendations;</p> <p>(c) The introducer immediately provides all necessary information pertaining to the customer's identity. The identity of the customer and beneficial owner of the funds (where different) and, where applicable, the party/parties on whose behalf the customer is acting; also, the introducer has confirmed that the Capital Market Service Provider will be allowed to verify the customer due diligence measures undertaken by the introducer at any stage; and</p> <p>(d) A written confirmation is provided by the introducer confirming that all customer due diligence measures required by the FATF Recommendations have been followed and the customer's identity has been established and verified. In addition, the confirmation must state that any identification documents or other customer due diligence material can be accessed by the Capital Market Service Provider and that these documents will be kept for at least five years after the business relationship has ended.</p>	
37	AML-1.8.3	<ul style="list-style-type: none"> <li>➤ Obtain a list of introducers during the year on which the Capital Market Service Provider has relied on. For a sample of such instances, document the dates of the most recent periodic review performed by the Capital Market Service Provider following FATF recommendations for a sample of such introducers.</li> <li>➤ Inquire and document about the frequency of the periodic reviews performed by the Capital Market Service Provider.</li> <li>➤ Select a sample and inspect that the Capital Market Service Provider has documented its reviews to verify whether the jurisdiction is in compliance with the FATF Recommendations, where the introducer is resident in another jurisdiction.</li> </ul>	

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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
38	AML-1.8.4	<ul style="list-style-type: none"> <li>➤ Select a sample and, inspect that the Capital Market Service Provider has conducted due diligence to satisfy that the introducer is in compliance with the requirements of the FATF Recommendations.</li> <li>➤ Where the Capital Market Service Provider is not satisfied that the introducer is in compliance with the requirements of FATF recommendations, inquire and inspect a sample to observe that the Capital Market Service Provider has conducted its own customer due diligence on introduced business, or has not accepted further introductions, or discontinued the business relationship with the introducer.</li> </ul>	
<b><i>Shell Banks</i></b>			
39	AML-1.9.1	<ul style="list-style-type: none"> <li>➤ Inquire if the Capital Market Service Provider has refused to establish business relations with banks which have no physical presence or 'mind and management' in the jurisdiction in which licensed and which are unaffiliated with a regulated financial group ('shell banks').</li> <li>➤ Inquire if the Capital Market Service Provider has not knowingly established relations with other Capital Market Service Provider or financial institutions that have relations with shell banks.</li> </ul>	
40	AML-1.9.2	Inquire if the Capital Market Service Provider has reported a suspicious transaction report (STR) to the Financial Intelligence Unit, General Directorate of Criminal Investigation, Ministry of Interior and the Compliance Directorate of the CBB if they are approached by a shell bank or an institution they suspect of being a shell bank and document the number of STR reported, if any.	
<b><i>Simplified Customer Due Diligence</i></b>			



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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
41	AML-1.10.1	<p>Obtain a list of customers for whom the Capital Market Service Provider applied simplified customer due diligence. For a sample selected, inspect if any of the following criteria is met:</p> <p>(b) The transaction concerns the sale of a Security listed on a licensed exchange, issued as a result of an initial public offering after January 2006, and the customer already holds an investor number and an allotment letter. Furthermore, the licensed exchange should have advised the broker (by circular) that all necessary customer due diligence information and copies of all original identification documents will be made available upon request without delay;</p> <p>(c) The customer is a company listed on a GCC or FATF member state stock exchange with equivalent disclosure standards to those of a licensed exchange;</p> <p>(d) The customer is a financial institution whose entire operations are subject to AML/CFT requirements consistent with the FATF Recommendations and it is supervised by a financial services supervisor in a FATF or GCC member state for compliance with those requirements;</p> <p>(e) The customer is a financial institution which is a subsidiary of a financial institution located in a FATF or GCC member state, and the AML/CFT requirements applied to its parent also apply to the subsidiary;</p> <p>(f) The customer is the Central Bank of Bahrain ('CBB'), a licensed exchange, or a licensee of the CBB; or</p> <p>(g) The customer is a Ministry of a GCC or FATF member state government, a company in which a GCC government is a majority shareholder, or a company established by decree in the GCC.</p>	
42	AML-1.10.2	<p>For the sample selected in procedure 41, if the customers falling under category (b) above, inquire if the Capital Market Service Provider has recorded the customer's name and contact information. Verification, certification, and due diligence requirements in Paragraphs AML-1.2.3, AML-1.2.5, AML-1.2.6, AML-1.2.8, AML-1.2.9 and AML-1.2.11, may be dispensed with".</p>	
43	AML-1.10.4	<p>For the sample selected in procedure 41, if the customers falling under categories (c) to (g) above, inquire if the Capital Market Service Provider has obtained the information required under Paragraph AML-1.2.7 (for legal entities). Verification, certification and due diligence requirements in Paragraphs AML-1.2.3, AML-1.2.5, AML-1.2.6, AML-1.2.8, AML-1.2.9 and AML-1.2.11, may be dispensed with".</p>	
44	AML-1.10.5	<p>For the sample selected in procedure 41, inspect if the Capital Market Service Provider has retained documentary evidence supporting their categorisation of the customer if wishing to apply simplified due diligence measures, as allowed for under categories (c) to (g) of Paragraph AML-1.10.1.</p>	

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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
45	AML-1.10.7	<p>Obtain a list of customers that are financial institutions that meet the AML/ CFT requirements set out under AML-1.10.1 (d) and (e) and where the Capital Market Service Provider is dealing as a Principal. For a sample of customers that are financial institutions (who meet the AML/ CFT requirements set out under AML-1.10.1 (d) and (e)) and where the Capital Market Service Provider is dealing as a Principal:</p> <p>(a) Inspect for a sample of transactions that the Capital Market Service Provider has used authenticated SWIFT messages as a basis for confirmation of the identity of a financial institution.</p> <p>(b) Inspect that the Capital Market Service Provider has obtained and retained a written statement from the parent institution of the subsidiary concerned, confirming that the subsidiary is subject to the same AML/CFT measures as its parent.</p>	
46	AML-1.10.8	Inquire if the Capital Market Service Provider does not apply simplified customer due diligence, where it knows, suspects or has reason to suspect, that the applicant is engaged in money laundering or terrorism financing or that the transaction is carried out on behalf of another person engaged in money laundering or terrorism financing.	
<b>AML / CFT Systems and Controls</b>			
<b>Risk Based Monitoring</b>			
47	AML-2.2.1	<ul style="list-style-type: none"> <li>➤ Inquire and document whether the Capital Market Service Provider has developed risk-based monitoring systems appropriate to the complexity of its business, the number of clients and types of transactions.</li> <li>➤ Inquire and document if these systems are configured to identify significant or abnormal transactions, patterns of activity, and include limits on the number, types or size of transactions undertaken outside expected norms and limits for cash and non-cash transactions.</li> <li>➤ Observe that the system has parameters in place to raise alerts.</li> <li>➤ Obtain and document, in this report, the list of alerts raised by the system during the reporting period.</li> </ul>	
<b>Automated Transaction Monitoring</b>			

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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
48	AML-2.2.3	<ul style="list-style-type: none"> <li>➤ Inquire and document that the Capital Market Service Provider has implemented automated transaction monitoring to identify abnormal or unusual flow of funds.</li> <li>➤ Inquire whether the Capital Market Service Provider has a daily report that captures transactions above 6,000 for monitoring by the MLRO or a relevant delegated official.</li> <li>➤ Inspect for a sample, if records are retained by the Capital Market Service Provider for five years after the date of the transaction.</li> <li>➤ Observe that the system has parameters in place to raise alerts.</li> <li>➤ Obtain and document, in this report, the list of alerts raised by the system during the reporting period.</li> </ul>	
49	AML-2.2.5	<ul style="list-style-type: none"> <li>➤ For a sample of transactions identified by the system as significant or abnormal (as defined in AML-2.2.2 and AML-2.2.3), inspect that the Capital Market Service Provider has documented its verification of the source of funds for those transactions, particularly where the transactions are above the occasional transactions threshold of BD 6,000.</li> <li>➤ For a sample of transactions, inspect that the Capital Market Service Provider, in the case of one-off transactions where there is no ongoing account relationship, has filed STR if it is unable to verify the source of funds to its satisfaction (AML-4).</li> <li>➤ For a sample of transactions, inspect that the Capital Market Service Provider has documented its examination of the background and purpose to those transactions and documented their findings.</li> </ul>	
50	AML-2.2.6	<ul style="list-style-type: none"> <li>➤ For a sample of transactions, inspect that the Capital Market Service Provider has carried out the investigations required under AML-2.2.5 by the MLRO (or relevant delegated official) and;</li> <li>➤ Inspect that Capital Market Service Provider maintains documents relating to these findings for five years from the date when the transaction was completed (see also AML-6.1.1 (b)).</li> </ul>	
51	AML-2.2.7	Inquire if the Capital Market Service Provider considers instances where there is a significant, unexpected or unexplained change in the customer activity.	
52	AML-2.2.8	<ul style="list-style-type: none"> <li>➤ Obtain a list of existing customers who had closed one account and opened another account during the year, and for a sample of such cases, inspect that the Capital Market Service Provider has documented review of its customer identity and updated its records.</li> <li>➤ Select a sample and inspect that the Capital Market Service Provider has documented obtaining and re-verifying of the missing or out of date information where the information available falls short of the requirements contained in Chapter AML-1.</li> </ul>	
<b>On-going Monitoring</b>			

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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
53	AML-2.2.10	<ul style="list-style-type: none"> <li>➤ Inquire that the Capital Market Service Provider has a process and has taken reasonable steps to:               <ul style="list-style-type: none"> <li>(a) Scrutinize transactions undertaken throughout the course of that relationship to ensure that transactions being conducted are consistent with the Capital Market Service Provider's knowledge of the customer, their business risk and risk profile; and</li> <li>(b) Ensure that they receive and maintain up-to-date and relevant copies of the identification documents specified in Chapter AML-1, by undertaking reviews of existing records, particularly for higher risk categories of customers. Capital Market Service Provider must require all customers to provide up-to-date identification documents in their standard terms and conditions of business.</li> </ul> </li> <li>➤ Check the systems and tools used for transactions monitoring and the scenarios built into the system for alerts.</li> </ul>	
54	AML-2.2.11	<ul style="list-style-type: none"> <li>➤ For a sample of relationships older than three years from the financial year end, inspect that the Capital Market Service Provider has documented its review and updated its customer due diligence information, particularly for higher risk categories of customers.</li> <li>➤ For the sample selected above, inspect that the Capital Market Service Provider has obtained, upon performing such review, updated copies of outdated identification documents of more than 12 months as soon as possible.</li> </ul>	
55	AML-2.2.12	Inspect that the Capital Market Service Provider has maintained information and documents in respect to client transactions such as date of execution, value of transaction, type of Securities and identity of the counterparty.	
<b><i>Responsibilities of MLRO</i></b>			
56	AML-3.1	<ul style="list-style-type: none"> <li>➤ Obtain the Capital Market Service Provider's organisational chart, inspect and document the reporting lines of the MLRO.</li> <li>➤ Inspect that the Capital Market Service Provider has documented the powers and responsibilities of MLRO.</li> </ul>	

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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
57	AML-3.2.1	Obtain the MLRO's job descriptions and inspect that it includes the following: <ul style="list-style-type: none"> <li>a) Establishing and maintaining the Capital Market Service Provider's AML/CFT policies and procedures;</li> <li>(b) Ensuring that the Capital Market Service Provider complies with the AML Law, any other applicable AML/CFT legislation and this Module;</li> <li>(c) Ensuring day-to-day compliance with the Capital Market Service Provider's own internal AML/CFT policies and procedures;</li> <li>(d) Acting as the Capital Market Service Provider's main point of contact in respect of handling internal Suspicious Transaction Reports from the Capital Market Service Provider's staff (refer to section AML-4.1) and as the main contact for the Financial Intelligence Unit, the CBB and other concerned bodies regarding AML/CFT;</li> <li>(e) Making external Suspicious Transaction Reports to the Financial Intelligence Unit and Compliance Directorate (refer to section AML-4.2);</li> <li>(f) Taking reasonable steps to establish and maintain adequate arrangements for staff awareness and training on AML/CFT matters (whether internal or external), as per Chapter AML-5;</li> <li>(g) Producing annual reports on the effectiveness of the Capital Market Service Provider's AML/CFT controls, for consideration by senior management, as per rule AML-3.3.3 and following-up on the status of any anomaly identified or remedial measure required by the CBB;</li> <li>(h) On-going monitoring of what may, in his opinion, constitute high-risk customer accounts; and</li> <li>(i) Ensuring that the Capital Market Service Provider maintains all necessary CDD, transactions, STR and staff training records for the required periods (refer to section AML-6.1).</li> </ul>	
<b><i>Compliance monitoring</i></b>			
58	AML-3.3.1 AML-3.3.3	<ul style="list-style-type: none"> <li>➤ Obtain the manual that describes the process, the responsibilities and the systems utilised by the Capital Market Service Provider to identify and assess their money laundering and terrorist financing risks (for customers, countries or geographic areas; and products, services, transactions or delivery channels).</li> <li>➤ Inquire if the Capital Market Service Provider documents such assessments, in order to be able to demonstrate their basis, keep these assessments up to date and have appropriate mechanisms to provide risk assessment information to the CBB.</li> <li>➤ Inquire if the Capital Market Service Provider has a procedure for the assessment of money laundering and terrorist financing risks is appropriate to the nature and size of the business.</li> <li>➤ Obtain the assessment reports and documentation showing that they were made available to the Board of Directors for its review and remediation measures, if any are commissioned.</li> </ul>	

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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
59	AML-3.3.1B	<p>Inspect that the Capital Market Service Provider has documented its reviews of the AML/CFT procedures, systems and controls at least once each calendar year covering the Capital Market Service Provider and its branches and subsidiaries both inside and outside the Kingdom of Bahrain. The scope of the review must include:</p> <p>(a) A report containing the number of internal reports made in accordance with Section AML-4.1, a breakdown of all the results of those internal reports and their outcomes for each segment of the Capital Market Service Provider 's business and an analysis of whether controls or trainings need to be enhanced;</p> <p>(b) A report indicating the number of external reports made in accordance with Section AML-4.2 and where a Capital Market Service Provider has made an internal report but not made an external report, noting why no external report was made;</p> <p>(c) A sample test of compliance with this Module's customer due diligence requirements; and</p> <p>(d) A report as to the quality of the Capital Market Service Provider's anti-money laundering procedures, systems, controls and compliance with the rules of a licensed exchange, clearing house and/or central depository AML Law and this Module.</p>	
60	AML-3.3.2	<ul style="list-style-type: none"> <li>➤ Inquire that the reports listed under Paragraph AML-3.3.1B (a) and (b) are made by the MLRO.</li> <li>➤ Inspect that the Capital Market Service Provider's review includes a sample test of compliance with the AML Module's customer due diligence requirements.</li> <li>➤ Inquire that the sample testing required under Paragraph AML-3.3.1B (c) is undertaken either by the Capital Market Service Provider's internal auditor or its external auditor.</li> </ul>	
<b>Internal reporting</b>			
61	AML-4.1.1	<ul style="list-style-type: none"> <li>➤ Inspect the internal reports for evidence of compliance with Module AML regarding suspicious transactions.</li> <li>➤ Inspect that the Capital Market Service Provider has Board approved procedures to ensure that staff who handle customer business (or are managerially responsible for such staff) make a report promptly to the MLRO, if they know or suspect that a customer (or a person on whose behalf a customer may be acting) is engaged in money laundering or terrorism financing, or if the transaction or the customer's conduct otherwise appears unusual or suspicious. Such procedures must include arrangements for disciplining any member of staff who fails without reasonable excuse to make such a report.</li> </ul>	

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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
62	AML-4.1.2	<ul style="list-style-type: none"> <li>➤ Inquire if the Capital Market Service Provider has written policies that prevent staff from consulting with their line managers before sending a report to the MLRO.</li> <li>➤ Based on inquiries of the MLRO and a selection of staff, observe if there are instances where they were prevented from reporting to the MLRO, when they had knowledge or suspicion that a transaction may have involved money laundering or terrorist financing.</li> </ul>	
<b>External reporting</b>			
63	AML-4.2.1 AML-4.2.2 AML-4.2.3 AML-4.2.4	<ul style="list-style-type: none"> <li>➤ Inquire with the MLRO of the process by which he identifies suspicious transactions and inquire about the Capital Market Service Provider 's process for taking steps to ensure that all reports made under Section AML-4.1 are considered by the MLRO (or his duly authorised delegate).</li> <li>➤ Inquire and document the process of reporting to the relevant authorities by the MLRO (or his duly authorised delegate), if he still suspects that a person has been engaged in money laundering, terrorism financing or the activity concerned is otherwise still regarded as suspicious.</li> <li>➤ Inquire if the reports are sent to the Financial Intelligence Directorate at the Ministry of Interior and the CBB's Compliance Directorate using the Suspicious Transaction Report Online System (Online STR system). [Note: STRs in paper format are not accepted]. This reporting requirement applies, regardless of whether the transaction involves tax matters or not.</li> <li>➤ Where no report is made, inspect that the MLRO has documented the reasons why.</li> <li>➤ For the purpose of the above, inquire that the Capital Market Service Provider has made adequate arrangements to ensure that: <ul style="list-style-type: none"> <li>(a) It has required the MLRO to consider all the relevant information and that such information is accessible or can be reasonably obtainable by the MLRO;</li> <li>(b) It has permitted the MLRO to have access to any information, including know your customer information, in the Capital Market Service Provider 's possession which could be relevant; and</li> <li>(c) Where the MLRO, or his duly authorised delegate, suspects that a person has been engaged in money laundering or terrorist financing, a report is made by the MLRO, which is not subject to the consent or approval of any other person.</li> </ul> </li> </ul>	
64	AML-4.2.5	From the list of STRs reported by the Capital Market Service Provider during the past five years, inquire if details of the STRs are retained.	
<b>Reporting to the SRO</b>			

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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
65	AML-4.3.1	<p>Inspect that the MLRO has, as per the reporting requirements in section AML-4.2, reported the case whenever he has become aware or had a reason to believe that a client is involved in a Money Laundering offence.</p> <p>In addition, inspect that he has informed the SRO on which the transaction is taking place and where the Securities or cash is being held, in which case the SRO must, unless instructed otherwise by a Relevant Authority, stop the execution of the suspicious transaction and any Security deposited with the SRO or other Capital Market Service Provider.</p>	
<b>Training</b>			
66	AML-5.1.1 AML-5.1.2 AML-5.1.3 AML-5.1.4	<ul style="list-style-type: none"> <li>➤ For a sample of staff who handle customer transactions, or are managerially responsible for such transactions, inspect the records of their attendances to AML/CFT training courses.</li> <li>➤ Inspect that the AML/CFT training material for staff who handle customer transactions, or are managerially responsible for such transactions, include the following: <ul style="list-style-type: none"> <li>(a) Their responsibilities under the AML Law, the AML Module, and any other relevant AML/CFT laws and regulations;</li> <li>(b) The identity and responsibilities of the MLRO and his deputy;</li> <li>(c) The potential consequences, both individual and corporate, of any breach of the AML Law, the AML Module and any other relevant AML/CFT laws or regulations;</li> <li>(d) The Capital Market Service Provider's current AML/CFT policies and procedures;</li> <li>(e) Money Laundering and terrorist financing typologies and trends;</li> <li>(f) The type of customer activity or transaction that may justify an internal report in accordance with section AML-4.1;</li> <li>(g) The Capital Market Service Provider's procedures for making an internal report as per section AML-4.1; and</li> <li>(h) Customer due diligence measures with respect to establishing business relations with customers.</li> </ul> </li> <li>➤ For new joiners inquire if the information referred to in Paragraph AML-5.1.1 is included within the relevant new employee's training materials and is made available for reference by staff during their period of employment.</li> <li>➤ For a sample of relevant new employees, inspect that AML/CFT training was given within three months of joining a Capital Market Service Provider.</li> </ul>	
67	AML-5.1.6	For a sample of new hires during the year, obtain and document the procedures performed by the Capital Market Service Provider to determine that such new hires are not criminals or their associates.	



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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
68	AML-6.1.4	Inquire if the Capital Market Service Provider maintains for at least five years, records showing the dates when AML/CFT training was given, the nature of the training, and the names of the staff that received the training.	
<b>General requirements</b>			
69	AML-6.1.1 AML-6.1.2	<ul style="list-style-type: none"> <li>➤ Inspect on a sample basis that the Capital Market Service Provider (including accounting and identification records), for the following minimum periods:               <ul style="list-style-type: none"> <li>(a) For customers, in relation to evidence of identity and business relationship records (such as application forms, account files and business correspondence, including the results of any analysis undertaken (e.g. enquiries to establish the background and purpose of complex, unusual large transactions)), for at least five years after the customer relationship has ceased; and</li> <li>(b) For transactions in relation to documents (including customer instructions in the form of letters, faxes or emails) enabling a reconstitution of the transaction concerned, for at least five years after the transaction was completed.</li> </ul> </li> <li>➤ Inquire that the Capital Market Service Provider retains copies of the reports produced for their annual compliance review, as specified in Paragraph AML-3.3.1, for at least five years. The Capital Market Service Provider must also maintain for 5 years reports made to or by, the MLRO made in accordance with Sections AML-4.1 and AML-4.2, and records showing how these reports were dealt with and what action, if any, was taken as a consequence of those reports.</li> </ul>	
70	AML-6.1.3	<p>Inquire that the Capital Market Service Provider observed the below when required to deliver the original copy of a record concerning any transaction, or a document pertaining thereto before the expiry of the prescribed period, that they have maintained:</p> <ul style="list-style-type: none"> <li>(a) a complete copy of the delivered record or documents until the end of the period prescribed for maintaining the original records or documents; and</li> <li>(b) a record of the delivered documents.</li> </ul>	
<b>General Requirements in Relation to Securities</b>			
<b>General Requirements in Respect of Substantial Shareholding</b>			
71	AML-7.1.1	Inspect if the licensed exchange, once being notified of a person whose ownership alone or his ownership together with that of his minor children, or any other accounts under his disposal, or the ownership of any of his associate or affiliate companies amounts to 5% or more of any listed Security of a joint stock company, has notified the CBB of this fact.	

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<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
72	AML-7.1.3	Inspect if all persons have obtained CBB prior written approval to execute the orders that will bring their ownership alone or their ownership together with their minor children, or the accounts standing under their disposal to 10% or more in any listed security. Also inquire that the CBB prior written approval is obtained for further increase of 1% or more.	
73	AML-7.1.4	Inspect if any breach of the provisions of section AML-7.1 results in the cancellation of the transaction, and the person in breach has bear all costs arising in this connection.	
<b><i>Requirements for Listing</i></b>			
74	AML-7.2.1	Inquire that no local or foreign company is listed on a Licensed Exchange, unless their documents of incorporation are completed and satisfied all legal requirements applicable in the Kingdom, or in their countries of incorporation to the extent that these are comparable to this Module, as the case may be.	
<b><i>Requirements for Offering</i></b>			
75	AML-7.3.1	Inquire that no security is offered for public subscription in the Kingdom unless the issuing company: <ul style="list-style-type: none"> <li>• has duly incorporated under the laws of the Kingdom, or the laws of its country of incorporation, as the case may be,</li> <li>• has satisfied all terms and conditions governing the public offering of Securities in the Kingdom, and</li> <li>• abided by the conditions and requirements stipulated under the Commercial Companies Law and the Disclosure Standards in force in the Kingdom.</li> </ul>	
76	AML-7.3.2	Inspect that no Security issued to the bearer is offered, listed, traded or deposited on a Licensed Exchange.	
<b><i>Requirements for Deposit</i></b>			
77	AML-7.4.1	Inspect if a Security is accepted in the Central Depository System without being authenticity approved by the concerned shares registrar and the client has provided the Central Depository System with any amendment or change which may occur in such particulars.	
<b><i>Acceptance of Cash by SRO Members</i></b>			
78	AML-8.1.1	Inquire if brokerage companies and offices receives cash amounts in Bahraini Dinars for transactions with a value not exceeding Five Hundred Bahraini Dinars, save for transactions carried out frequently by the same client.	
79	AML-8.1.2	Inspect if the identity of a third party is verified, when the value of a transaction is paid for by cheque by a third party other than the purchaser.	
<b><i>Special measures for Non-Cooperative Countries or Territories (NCCTS)</i></b>			

**Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with Anti-Money Laundering & Combating of Financial Crime Module (AML) of the Rulebook**

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
80	AML-9.1.1 AML-9.1.2	<ul style="list-style-type: none"> <li>➤ Inquire and document the process the Capital Market Service Provider follows to ensure that it gives special attention to any dealings they may have with entities or persons domiciled in countries or territories which are:               <ul style="list-style-type: none"> <li>(a) Identified by the FATF as being ‘non-cooperative’; or</li> <li>(b) Notified to Capital Market Service Provider from time to time by the CBB.</li> </ul> </li> <li>➤ Inquire and document the process that the Capital Market Service Provider has established to re-examine the documents whenever there are transactions with such parties and if suspicion remains, then the transaction must be reported to the relevant authorities.</li> </ul>	
81	AML-9.1.3	Inquire if the Capital Market Service Provider has policies and processes to perform EDD for business relationships and transactions with natural persons, legal persons and financial institutions from countries where such measures are called for by the FATF.	
<b><i>Terrorist Financing</i></b>			
82	AML-9.2.1	<ul style="list-style-type: none"> <li>➤ Inquire and document the Capital Market Service Provider’s process and procedures for implementing and complying with the United Nations Security Council resolutions relating to the prevention and suppression of terrorism and terrorist financing.</li> <li>➤ Obtain the UNSCR directives issued by the CBB and for a selected sample of names appearing in the directives compare if there is any name match by comparing with the customers’ list obtained in procedure 10.</li> <li>➤ Inquire if the Capital Market Service Provider has records for freezing, without delay, the funds or other assets of, and has ensured that no funds or other assets were made available, directly or indirectly, to or for the benefit of, any person or entity either (i) designated by, or under the authority of, the United Nations Security Council under Chapter VII of the Charter of the United Nations, including in accordance with resolution 1267(1999) and its successor resolutions as well as Resolution 2178(2014) or (ii) designated as pursuant to Resolution 1373(2001).</li> </ul> <p>If applicable, obtain the list of frozen accounts and inspect, on a sample basis, whether these accounts were reported to the CBB along with the freezing date after identification.</p>	

**Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with Anti-Money Laundering & Combating of Financial Crime Module (AML) of the Rulebook**

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
83	AML-9.2.4	Inquire that the Capital Market Service Provider reports to the CBB details of: (a) Funds or other financial assets or economic resources held with them which may be the subject of Article 1, Paragraphs c) and d) of UNSCR 1373; and (b) All claims, whether actual or contingent, which the Capital Market Service Provider has on persons and entities which may be the subject of Article 1, Paragraphs c) and d) of UNSCR 1373.	
84	AML-9.3.1	Inquire if the Capital Market Service Provider has during the year dealt with persons or entities designated by the CBB as potentially linked to terrorist activity.	
85	AML-9.3.3	Inquire if the Capital Market Service Provider has procedures to report to the relevant authorities, details of any accounts or other dealings with designated persons and entities, and if they comply with subsequent directions issued by the relevant authorities.	
86	Prior period report	Inspect the Capital Market Service Provider's update report provided to the CBB in relation to the issues raised in the prior period report.	
<b>Fraud</b>			
87	AML-12.1.1.	Inspect if the Capital Market Service Provider has allocated appropriate resources and have in place systems and controls to deter, detect, and record instances of fraud or attempted fraud.	
88	AML-12.1.3	Check that any actual or attempted fraud incident (however small) is reported to the appropriate authorities (including the CBB) and followed up. Check that monitoring systems are designed to measure fraud patterns that might reveal a series of related fraud incidents.	
89	AML-12.1.14	Check that the Capital Market Service Provider has assigned a person, the overall responsibility for the prevention, detection and remedy of fraud, at a senior level of the organisation.	
90	AML-12.1.15	Inspect if the Capital Market Service Provider has maintained an effective segregation of functions and responsibilities, between different individuals and departments, such that the possibility of financial crime is reduced and that no single individual is able to initiate, process and control a transaction.	
91	AML-12.1.6	Inquire if the Capital Market Service Provider has provided regular training to their management and staff to make them aware of potential fraud risks.	

**Appendix B to report dated xxxxx on Agreed-upon procedures relating to compliance with Anti-Money Laundering & Combating of Financial Crime  
Module (AML) of the Rulebook**

**Sample Selection Matrix****Customers**

<b>Population size</b>	<b>Sample Size</b>
1 – 500	40
501 – 1,000	50
1,001 – 10,000	60
10,001 – 50,000	120
50,001 and above	150

**Transactions**

<b>Population size</b>	<b>Sample Size</b>
1 – 5,000	40
5,001 – 10,000	50
10,001 – 50,000	60
50,001 – 100,000	120
100,001 and above	150

**Notes:**

1. The sample size for all procedures taken together must not be lower than the sample determined based on the above table. A table showing the sample selection and the distribution across the various types of procedures must also be included as an appendix to the AUP report.
2. For every sample, the population to choose from must be a representative sample and the period of coverage should be the 12 months relevant to the report. The sample sizes for the various procedures should be proportionate to the relative significance and risk based on the judgment of the Auditor.
3. Where there are procedures requiring the auditor to obtain a list, the AUP report must also indicate the relevant findings.
4. Where appropriate, the report must be accompanied by any corroborative material/evidence.