SUPPLEMENTARY INFORMATION
APPENDIX FC-(vi)
Agreed-upon Procedures for fulfilling the reporting requirements in Compliance with FC Module (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 "Licensee")
Agreed-upon procedures relating to compliance with FC Module (Financial Crime) of the CBB Rulebook Volume 3

Dear Sirs

We have performed the procedures agreed with you, and enumerated in the attached Appendix A with respect to the Licensee's compliance with Financial Crime Module of Volume 3 of the Rulebook (FC Module), issued by the Central Bank of Bahrain (the CBB). The procedures were performed pursuant to the Licensee's obligation under FC-3.3.1B of the CBB Rulebook. The procedures performed were solely to assist you in fulfilling your reporting requirements in accordance with FC 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 requirement in accordance with FC-3.3.1B (c) and (d) of the CBB Rulebook, FC Module, Volume 3.

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 FC Module.

Had we performed additional procedures or had we performed an audit or review of the Licensee's compliance with FC 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 Licensee 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 Licensee, 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 the Financial Crime Module (FC) of the Rulebook

Sr. No.	*Reference to CBB Rulebook Volume 3*	*Procedures*	*Findings based on procedures performed*
General Requirements			
Natural and Legal Persons Requirements			
1	FC-1.1.2A FC1.1.6 FC1.1.7 FC-1.1.8 FC-1.1.9 FC-1.1.10	➢ Obtain a list of new business relationships across the various customer types, entered into by the Licensee during the year. ➢ For a representative sample (See Appendix B for sample size selection), inspect if the Licensee has performed the following: (a) Documentation of the purpose and intended nature of the business relationship is recorded; (b) Obtained the signature of the customer; (c) Obtained a signed statement from the customer confirming whether or not the customer is acting on their own behalf or for a beneficial owner; (d) Signed statement above was obtained prior to conducting any transaction with the customer concerned; (e) Where a customer is acting on behalf of a third party, a signed statement must be obtained from the third party; (f) In the case of minors, the Licensee has additionally verified the identity of the parent(s) or legal guardian(s).	
2	FC-1.1.2	Inquire that the Licensee has implemented the customer due diligence measures specified in Chapters 1, 2 and 3 when: (a) A change to the signatory or beneficiary of an existing account or business relationship is made; (b) A significant transaction takes place; (c) There is a material change in the terms of the insurance policy or in the manner in which the business relationship is conducted; (d) Customer documentation standards change substantially; (e) The Licensee has doubts about the veracity or adequacy of previously obtained customer due diligence information; or (f) There is a suspicion of money laundering or terrorist financing.	

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Sr. No.	*Reference to CBB Rulebook Volume 3*	*Procedures*	*Findings based on procedures performed*
3	FC-1.1.2B FC-2.2.10	Inspect documented processes and tools used by the Licensees for ongoing due diligence of customers. For a sample, inspect that the Licensee has documented the following as part of its ongoing due diligence process: (a) Account activity and transaction behaviour; (b) Patterns and unusual transactions; (c) Consistency with Licensee's knowledge of customer's use of the Licensee's products and services; (d) Customer's business risk; (e) Risk profile at the time of on-boarding and type of CDD undertaken; and (f) Current assessment of risk.	
Customer Due Diligence – Verification of Identity and Source of Funds			
4	FC-1.1.1 FC-2.1.1 FC-3.2.1	For the sample of customers selected in procedure 3 , inspect the Licensee's documentation of the identity of its customers and the source of funds in accordance with the procedures as set out in writing and approved by the Licensee's Board of Directors and senior management (as applicable).	
5	FC-1.1.1 FC-2.1.1 FC-2.1.2	➢ Inspect that the written policies and procedures are approved by the Licensee's Board of Directors and senior management (as applicable). ➢ Inquire on the frequency of revisions to AML/CFT policies and procedures made by the Licensee and inspect the date of the last review and approval. ➢ Compare the policies and procedures of the Licensee to the requirements set out in the FC Module (FC-2.1.1). ➢ Inspect the documented policies and procedures of the Licensee to see if they cover customer acceptance, on-going monitoring, staff training, and screening procedures for hiring employees.	
Face-to-face Business			
Customer Due Diligence – Natural Persons			

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Sr. No.	*Reference to CBB Rulebook Volume 3*	*Procedures*	*Findings based on procedures performed*
6	FC-1.2.1	Select a sample of customers representing natural persons in procedure 1 and inspect that the Licensee has obtained the following information for its customers (in hard copy or electronic form): (a) Full legal name and any other names used; (b) Full permanent address (i.e. the residential address of the customer; a post office box is insufficient); (c) Date and place of birth; (d) Nationality; (e) Passport number (if the customer is a passport holder); (f) CPR or Iqama number (for Bahraini or GCC residents only); (g) Telephone/fax number and email address (where applicable); (h) Occupation or public position held (where applicable); (i) Employer's name and address (if self-employed, the nature of the self-employment); (j) Type of policy, and nature and volume of anticipated business dealings with the licensee is recorded; (k) Signature of the customer(s); and (l) Source of funds for payment of premium.	
7	FC-1.2.3	For the sample of customers selected in procedure 6, inspect that the Licensee has documented the verification of identity information in Paragraph FC-1.2.1 (a) to (f) by the following methods below; at least one of the copies of the identification documents mentioned in (a) and (b) below must include a clear photograph of the customer: (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); (b) Confirmation of the permanent residential address by taking a copy of a recent utility bill, bank statement or similar statement from another Licensee or financial institution, or some form of official correspondence or official documentation card, such as CPR, from a public/governmental authority, or a tenancy agreement or record of home visit by an official of the Licensee; and (c) Direct contact with the customer by phone (if applicable), letter or email to confirm relevant information, such as residential address.	

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Sr. No.	*Reference to CBB Rulebook Volume 3*	*Procedures*	*Findings based on procedures performed*
8	FC-1.2.4	For the sample of customers selected in the procedure 6 above: ➢ Inspect documentation by authorised officials of the Licensee 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 Licensee for electronic copies.	
9	FC-1.2.5	For the sample selected in procedure 6 above and where identity documents are not received by an official of the Licensee in original form, inspect that the Licensee 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; (e) An official of an embassy or consulate; or (f) An official of another licensed financial institution or of an associate company of the Licensee.	
Customer Due Diligence – Anonymous and Nominee Accounts			
10	FC-1.1.11	➢ Inquire that the Licensee has not established or kept anonymous policy or policies in fictitious names and that the Licensee has scanned the system for code names, unusual names etc. in the customer database and general ledger. ➢ Obtain the list of customers as at the reporting date and observe if the list has any code names, unusual names representing anonymous accounts. ➢ Obtain a listing of nominee accounts and inspect that the Licensee has obtained the identity in accordance with the requirements in Chapter FC-1 where a nominee account, which is controlled by or held for the benefit of another person, is maintained.	
Customer Due Diligence –Timing of Verification –			

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Sr. No.	*Reference to CBB Rulebook Volume 3*	*Procedures*	*Findings based on procedures performed*
11	FC-1.1.12	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 measures except in situations allowed under the rule (see note below). Inquire and document the end to end process followed by the Licensee for completing the KYC process. 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. Note: KYC verifications may be completed after the receipt of funds but no disbursement of funds takes place in any of the following cases: (a) Non face-to-face business, or (b) The subsequent submission of CDD documents by the customer after initial face-to face contact.	
Customer Due Diligence – Incomplete Customer Due Diligence			
12	FC-1.1.13	➢ Inquire of the MLRO if there were any situations where the Licensee was unable to comply with the requirements specified in this FC-1. ➢ If such situations exist, inquire whether the documentary evidence exists, and that the Licensee has considered whether it should freeze any funds received and file a suspicious transaction report; or to terminate the relationship; or not proceed with the transaction; or to return the funds to the counterparty in the same method as received.	
Customer Due Diligence - Legal Entities or Legal Arrangements (such as Trusts)			

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Sr. No.	*Reference to CBB Rulebook Volume 3*	*Procedures*	*Findings based on procedures performed*
13	FC-1.2.7	➢ 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. ➢ For a sample of such customers, inspect that the Licensee has obtained the following information from identification documents, databases or websites, in hard copy or electronic form, to identify and verify its identity, legal existence and structure: (a) The entity's full name and other trading names used; (b) Registration number (or equivalent); (c) Legal form and proof of existence; (d) Registered address and trading address (where applicable); (e) Type of business activity; (f) Date and place of incorporation or establishment; (g) Telephone, fax number and email address; (h) Regulatory body or listing body (for regulated activities such as financial services and listed companies); (i) The names of the relevant persons having a senior management position in the legal entity or legal arrangement; (j) Name of external auditor (where applicable); (k) Type of policy, and nature and volume of anticipated business dealings with the Licensee; and (l) Source of funds for payment of premium.	

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Sr. No.	*Reference to CBB Rulebook Volume 3*	*Procedures*	*Findings based on procedures performed*
14	FC-1.2.8	For the sample selected for procedure 13, inspect that the Licensee has documented the verification of certified copies of the following documents, as applicable, and depending on the legal form of the entity: (a) Certificate of incorporation and/or certificate of commercial registration or trust deed; (b) Memorandum of association; (c) Articles of association; (d) Partnership agreement; (e) Board resolution seeking the insurance services (only necessary in the case of private or unlisted companies); (f) Identification documentation of the authorised signatories of the insurance contract; (g) Copy of the latest financial report and accounts, audited where possible (audited copies do not need to be certified); and (h) List of authorised signatories of the company for the insurance contract and a Board resolution (or other applicable document) authorising the named signatories or their agent to receive any proceeds from the insurance contract or to modify the terms of the contract (resolution only necessary for private or unlisted companies).	
15	FC-1.2.8A	For the customers who are legal persons in the sample selected for procedure 13, inspect that the Licensee has documented the identification and of the identity of beneficial owners, by verifying the following information: (a) The identity of the natural person(s) who ultimately have a controlling ownership interest in a legal person, and (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 (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.	
16	FC-1.2.9	For the sample selected for procedure 13, inspect the documents obtained as per the requirements in FC-1.2.8 are certified in the manner specified in FC-1.2.4 to FC-1.2.6.	

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Sr. No.	*Reference to CBB Rulebook Volume 3*	*Procedures*	*Findings based on procedures performed*
17	FC-1.2.11	➢ For the sample selected for procedure 13, inspect that the Licensee has obtained and documented the following due diligence information.: (a) The structure of the legal entity or trust sufficient to determine and verify the identity of the ultimate beneficial owner of the funds, the ultimate provider of funds (if different), and the ultimate controller of the funds (if different); (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; (c) The names, country of residence and nationality of Directors or partners (only necessary for private or unlisted companies); (d) Updates on any changes to corporate ownership and/or legal structure; (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; (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 (g) Inquire if the Licensee 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. ➢ Inquire if these due diligence requirements have been included in the Licensee's new business procedures.	

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Enhanced Customer Due Diligence: General Requirements			
18	FC-1.3.1	➢ Obtain a list of higher risk customers identified by the Licensee during the year. ➢ For a sample selected, inspect that the Licensee has performed enhanced customer due diligence on those customers identified as having a higher risk profile.	
Enhanced Customer Due Diligence: Non face-to-face Business and New Technologies			
19	FC-1.4.1	➢ Inquire if the Licensee has established specific procedures for verifying customer identity. ➢ Compare the Licensee's procedures for customer identification and for verification of customer identity documentation with the enhanced customer due diligence requirements stipulated in the FC Module for non-face-to-face business and new technologies.	
20	FC-1.4.2	➢ Obtain a list of non-face-to-face business customers as of the financial year-end. ➢ Inspect and document the measures taken by the Licensee to ascertain the following: (a) The customer is the person they claim to be; and (b) The address provided is genuinely the customer's.	
21	FC-1.4.4	➢ Obtain the Board approved policies and procedures to prevent the misuse of technological developments in money laundering or terrorist financing schemes. ➢ For Licensees which provide electronic services to their customers, inquire if the Licensee has established procedures to prevent the misuse of technological developments in money laundering or terrorist financing schemes. ➢ Where the Licensee has such software, inquire and document the relevant parameters of such software that identify unusual transactions.	
22	FC-1.4.5	➢ Inquire if the Licensee has policies and procedures to identify and assess the money laundering or terrorist financing risks that may arise in relation to: (a) New products and new business practices, including new delivery mechanisms; and (b) The use of new or developing technologies for both new and pre-existing products. ➢ Obtain a listing of new products or services launched during the year and inquire if the above procedures were applied.	

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Sr. No.	*Reference*	*Procedures*	*Findings based on procedures performed*
23	FC-1.4.6	For a sample of new products or services, inspect that the Licensee has documented the risk assessment prior their launch.	
Enhanced Customer Due Diligence: Politically Exposed Persons ('PEPs')			
24	FC-1.5.1 FC-1.5.2 FC-1.5.3 FC-1.5.3A	➢ Inquire that the Licensee 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. (a) Inquire and document the Licensee's definition of publicly available database to establish whether a customer is a PEP. (b) Inspect on a sample basis that the policy is implemented. ➢ Obtain a list of PEP customers as at the year-end. For a sample of such PEP customers, inspect that the Licensee has obtained senior management approval before a PEP is accepted as a customer. ➢ For the sample of PEP customers selected above, inspect that the Licensee has documentation of the following measures for existing PEP customers or subsequently becomes a PEP: (a) Analysis of financial structures, including trusts, foundations or international business corporations; (b) A written record in the customer file to establish that measures have been taken to establish both the source of wealth and the source of funds; (c) Development of a profile of anticipated customer activity, to be used in on-going monitoring; (d) Approval of senior management for allowing the customer relationship to continue; and (e) Documented evidence of on-going account monitoring of the PEP's account by senior management (such as the MLRO). ➢ For a sample of higher risk business relationships with such persons mentioned in Paragraph FC-1.5.1, inspect if the Licensee has applied at a minimum, the measures referred to in (b) (d) and (e) of Paragraph FC-1.5.3 .	
25	FC-1.5.3B	Inquire if the Licensee has applied all PEP requirements to family or close associates of such PEPs.	

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Sr. No.	*Reference*	*Procedures*	*Findings based on procedures performed*
26	FC-1.5.5	For Licensees which provide life insurance policies to their customers, inquire if the Licensee has taken reasonable measures to determine whether the beneficiaries and/or, where required, the beneficial owner of the beneficiary, are PEPs. This must occur, at the latest, at the time of the pay-out.	
27	FC-1.5.6	Inquire if the senior management, where higher risks are identified, has been informed before the pay-out of the policy proceeds, in order to conduct enhanced scrutiny on the whole business relationship with the policyholder, and to consider making a suspicious transaction report.	
Introduced Business from Professional Intermediaries			
28	FC-1.7.1	➢ For a selected sample, inquire that the Licensee has only accepted customers introduced to it by other financial institutions or intermediaries, if the financial institution or intermediary concerned is subject to FATF-equivalent measures and customer due diligence measures. ➢ Obtain a list of counterparties to whom the Licensee has delegated CDD responsibilities. For a sample of such counterparties, inspect that the contractual agreements retain the responsibility for the CDD with the Licensee.	

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29	FC-1.7.2	Select a sample and inspect if the Licensee has only accepted introduced business if all of the following conditions are satisfied: (a) The customer due diligence measures applied by the introducer are consistent with those required by the FATF Recommendations; (b) A formal agreement is in place defining the respective roles of the Licensee 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; (c) The introducer is able to provide all relevant data pertaining to the customer's identity, the identity of the policyholder and beneficiary of the policy and, where applicable, the party/parties on whose behalf the customer is acting; also, the introducer has confirmed that the Licensee will be allowed to verify the customer due diligence measures undertaken by the introducer at any stage; and (d) 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, established and verified. In addition, the confirmation must state that any identification documents or other customer due diligence material can be accessed by the Licensee and that these documents will be kept for at least five years after the business relationship has ended.	
30	FC-1.7.3	➢ Obtain a list of introducers during the year on which the Licensee has relied on. For a sample of such instances, document the dates of the most recent periodic review performed by the Licensee following FATF recommendations for a sample of such introducers. ➢ Inquire and document about the frequency of the periodic reviews performed by the Licensee. ➢ Select a sample and inspect that the Licensee has documented their reviews to verify whether the jurisdiction is in compliance with the FATF Recommendations, where the introducer is resident in another jurisdiction.	

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Sr. No.	*Reference*	*Procedures*	*Findings based on procedures performed*
31	FC-1.7.4	➢ Select a sample and, inspect that the Licensee has conducted due diligence to satisfy that the introducer is in compliance with the requirements of the FATF Recommendations. ➢ Where the Licensee is not satisfied that the introducer is in compliance with the requirements of FATF recommendations, inquire and inspect that the Licensee has conducted its own customer due diligence on introduced business, or has not accepted further introductions, or discontinued the business relationship.	
Simplified Customer Due Diligence			
32	FC-1.6.1	Obtain a list of customers for whom the Licensee applied simplified customer due diligence. For a sample selected, inspect if any of the following criteria is met: (a) The customer is the Central Bank of Bahrain ('CBB'), the Bahrain Bourse ('BHB') or a Licensee of the CBB; (b) The customer is a Ministry of a Gulf Cooperation Council ('GCC') or Financial Action Task Force ('FATF') member state government, a company in which a GCC or FATF government is a majority shareholder, or a company established by decree in the GCC; (c) The customer is a company listed on a GCC or FATF member state stock exchange (where the FATF state stock exchange has equivalent disclosure standards to those of the BHB); (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; (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; or (f) The transaction is a long-term insurance contract, either taken out in connection with a pension scheme relating to the customer's employment or occupation, or contains a no surrender clause and cannot be used as security for a loan.	
33	FC-1.6.2	For the sample selected in procedure 32 and, if those customers that fall under categories (a)-(e) in Paragraph FC-1.6.1, inquire if the Licensee has obtained the information required under Paragraph FC-1.2.1 (for natural persons) or FC-1.2.7 (for legal entities or legal arrangements such as trusts).	

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34	FC-1.6.4	For the sample selected in procedure 32, inspect that the Licensee, has retained documentary evidence supporting their categorisation of the customer.	
35	FC-1.6.6	For a sample of customers who are financial institutions (who meet the AML/ CFT requirements set out under FC-1.6.1 (e)), inspect that the Licensee 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.	
36	FC-1.6.8	Inquire if the Licensee 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.	
AML / CFT Systems and Controls			
Risk Based Monitoring			
37	FC-2.2.1	➢ Inquire and document whether the Licensee has developed risk-based monitoring systems appropriate to the complexity of their business, their number of clients and types of transactions. ➢ Inquire and document if these systems are configured to identify significant or abnormal transactions or patterns of activity, and included limits on the number, types or size of transactions undertaken outside expected norms; and limits for cash and non-cash transactions. ➢ Observe that the system has parameters in place to raise alerts. ➢ Obtain and document the list of alerts raised by the system during the reporting period.	
Automated Transaction Monitoring			
38	FC-2.2.3	➢ Inquire and document that the Licensee has implemented automated transaction monitoring to identify abnormal of unusual flow of funds. ➢ Inquire whether the Licensee has a daily report that captures transactions above 6,000 for monitoring by the MLRO or a relevant delegated official. ➢ Inspect for a sample, if records are retained by the Licensee for five years after the date of the transaction. ➢ Observe that the system has parameters in place to raise alerts. ➢ Obtain and document, in this report, the list of alerts raised by the system during the reporting period.	

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39	FC-2.2.5	➢ For a sample of transaction identified by the system as significant or abnormal (as defined in FC-2.2.2 and FC-2.2.3), inspect that the Licensee 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. ➢ For a sample of transactions, inspect that the Licensee has documented its examination of the background and purpose to those transactions and documented their findings.	
40	FC-2.2.6	➢ For a sample of transactions, inspect that the Licensee has carried out the investigations required under FC-2.2.5 by the MLRO (or relevant delegated official) and; ➢ Inspect that the Licensee maintains documents relating to these findings for five years from the date when the transaction was completed (see also FC-6.1.1 (b)).	
41	FC-2.2.7	➢ Inquire if the Licensee has considered instances where there is a significant, unexpected or unexplained change in the behaviour of policyholders' account (e.g., early surrenders). ➢ Observe that the Licensee is extra vigilant to the particular risks involved in the buying and selling of second hand endowment policies, as well as the use of single premium unit-linked policies by reference to policy and procedures. ➢ Inspect that the licensee has checked for any reinsurance or retrocession to ensure that monies are paid to bona fide reinsurance entities at rates commensurate with the risks underwritten.	
42	FC-2.2.8	➢ Obtain a list of existing customers who had cancelled a policy and applied for another during the year and for a sample of such cases inspect that the Licensee has documented review of its customer identity and updated its records. ➢ Select a sample and inspect that the Licensee 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 FC-1.	
On-going Monitoring			

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Sr. No.	*Reference*	*Procedures*	*Findings based on procedures performed*
43	FC-2.2.10	➢ Inquire that Licensee has a process and taken steps to: (a) Scrutinize transactions undertaken throughout the course of that relationship to ensure that transactions being conducted are consistent with the Licensee's knowledge of the customer, their business risk and risk profile; and (b) Ensure that they receive and maintain up-to-date and relevant copies of the identification documents specified in Chapter FC-1, by undertaking reviews of existing records, particularly for higher risk categories of customers. Licensee must require all customers to provide up-to-date identification documents in their standard terms and conditions of business ➢ Check the systems and tools used for transactions monitoring and the scenarios built into the system for alerts.	
44	FC-2.2.11	➢ For a sample of relationships older than three years from the financial year-end, inspect that the Licensee has documented its review and updated its customer due diligence information at least every three years, particularly for higher risk categories of customers. ➢ For the same sample above, inspect that the Licensee has obtained, upon performing such review, updated copies of outdated identification documents of more than 12 months as soon as possible.	
Responsibilities of MLRO			
45	FC-3.1	➢ Obtain the Licensee's organisational chart and inspect and document the reporting lines of the MLRO. ➢ Inspect that the Licensee has documented the powers and responsibilities of MLRO.	

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Sr. No.	*Reference*	*Procedures*	*Findings based on procedures performed*
46	FC-3.2.1	Obtain the MLRO's job descriptions and inspect it includes the following: (a) Establishing and maintaining the Licensee's AML/CFT policies and procedures; (b) Ensuring that the Licensee complies with the AML Law and any other applicable AML/CFT legislation and regulations; (c) Ensuring day-to-day compliance with the Licensee's own internal AML/CFT policies and procedures; (d) Acting as Licensee's main point of contact in respect of handling internal suspicious transaction reports from the Licensee's staff (refer to Section FC-4.1) and as the main contact for the Financial Intelligence Unit, the CBB and other concerned bodies regarding AML/CFT; (e) Making external suspicious transactions reports to the Anti-Money Laundering Unit and Compliance Directorate (refer to Section FC-4.2); (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 FC-5; (g) Producing annual reports on the effectiveness of the Licensee's AML / CFT controls, for consideration by senior management, as per Paragraph FC-3.3.3; (h) On-going monitoring of what may, in his opinion, constitute high-risk customer accounts; and (i) Ensuring that the Licensee maintains all necessary CDD, transactions, STR and staff training records for the required periods (refer to Section FC-6.1).	
Compliance monitoring			

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Sr. No.	*Reference*	*Procedures*	*Findings based on procedures performed*
47	FC-3.3.1 FC-3.3.3	➢ Obtain the manual that describes the process, the responsibilities and the systems utilised by the Licensee to identify and assess their money laundering and terrorist financing risks (for customers, countries or geographic areas; and products, services, transactions or delivery channels). ➢ Inquire if the Licensee 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. ➢ 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. ➢ Inquire if the licensee has a procedure for the assessment of money laundering and terrorist financing risks which, according to the MLRO, is appropriate to the nature and size of the licensee's business.	
48	FC-3.3.1B	Inspect that the Licensee has documented its reviews of the AML/CFT procedures, systems and controls at least once each calendar year covering the Licensee and its branches and subsidiaries both inside and outside the Kingdom of Bahrain. The scope of the review must include: (a) A report, containing the number of internal reports made in accordance with Section FC-4.1, a breakdown of all the results of those internal reports and their outcomes for each segment of the Licensee's business, and an analysis of whether controls or training need to be enhanced; (b) A report, indicating the number of external reports made in accordance with Section FC-4.2 and, where an insurance Licensee has made an internal report but not made an external report, noting why no external report was made; (c) A sample test of compliance with this Module's customer due diligence requirements; and (d) A report as to the quality of the Licensee's anti-money laundering procedures, systems and controls, and compliance with the AML Law and this Module.	

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Sr. No.	*Reference*	*Procedures*	*Findings based on procedures performed*
49	FC-3.3.2	➢ Inquire that the reports listed under Paragraph FC-3.3.1B (a) and (b) are made by the MLRO. For a sample of reports, inspect that the Licensee's review includes a sample test of compliance with the Module's customer due diligence requirements. ➢ Inquire that the sample testing required under Paragraph FC-3.3.1B (c) is undertaken either by the Licensee's internal auditor, its external auditor or a consultancy firm approved by the CBB.	
Internal reporting			
50	FC-4.1.1	➢ Inspect the internal reports for evidence of compliance with requirements regarding suspicious transactions. ➢ Inspect the Licensee has Board approved procedures to ensure that staff who handle customer business (or are managerially responsible for such staff) to 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.	
51	FC-4.1.3	➢ Inquire if the Licensee has written policies that prevent staff from consulting with their line managers before sending a report to the MLRO. ➢ 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.	
External reporting			

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Sr. No.	*Reference*	*Procedures*	*Findings based on procedures performed*
52	FC-5.2.1 FC-5.2.2 FC-5.2.3 FC-5.2.4	➢ Inquire of the MLRO of the process by which he identities suspicious transactions and inquire about the Licensee's process for taking steps to ensure that all reports made under Section FC-4.1 are considered by the MLRO (or his duly authorised delegate). Inquire and document the process for 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 or terrorism financing, or the activity concerned is otherwise still regarded as suspicious. ➢ 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. ➢ Where no report is made, inspect that the MLRO has documented the reasons why. ➢ For the purpose of above, inquire that the Licensee has made adequate arrangements to ensure that: 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; b) It has permitted the MLRO to have access to any information, including know your customer information, in the Licensee's possession which could be relevant; and 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.	
53	FC-4.2.5	From the list of STRs reported by the Licensee during the past five years, inquire if details of the STRs are retained.	
Training			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

Sr. No.	*Reference*	*Procedures*	*Findings based on procedures performed*
54	FC-5.1.1 FC-5.1.2 FC-5.1.3 FC-5.1.4	➢ For a sample of staff who handle customer transactions, or are managerially responsible for such transactions, inspect their records of attendance to AML/CFT training courses. ➢ Inspect that the AML/CFT training material for staff who handle customer transactions, or are managerially responsible for such transactions, include the following: (a) Their responsibilities under the AML Law, this Module, and any other relevant AML / CFT laws and regulations; (b) The identity and responsibilities of the MLRO and his deputy; (c) The potential consequences, both individual and corporate, of any breach of the AML Law, this Module and any other relevant AML / CFT laws or regulations; (d) The Licensee's current AML/CFT policies and procedures; (e) Money laundering and terrorist financing typologies and trends; (f) The type of customer activity or transaction that may justify an internal STR; (g) The Licensee's procedures for making internal STRs; and (h) Customer due diligence measures with respect to establishing business relations with customers. ➢ For new joiners inquire if the information referred to in Paragraph FC-6.1.1 is included within the relevant employee's training materials and is made available for reference by staff during their period of employment. ➢ For a sample of relevant new employees, inspect that AML/CFT training was given within three months of joining a Licensee.	
55	FC5.1.6	For a sample of new hires during the year, obtain and document the procedures performed by the Licensee to determine that such new hires are not criminals or their associates.	
56	FC-6.1.3	Inquire if the Licensee 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.	
General requirements			

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Sr. No.	*Reference*	*Procedures*	*Findings based on procedures performed*
57	FC-6.1.1 FC-6.1.2	➢ Inspect on a sample basis that the Licensee retains records (including accounting and identification records), for the following minimum periods: (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 (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. ➢ Inquire that the Licensee retains copies of the reports produced for their annual compliance review, as specified in Paragraph FC-3.3.1, for at least five years. Licensee must also maintain for 5 years reports made to, or by, the MLRO made in accordance with Sections FC-4.1 and 4.2, and records showing how these reports were dealt with and what action, if any, was taken as a consequence of those reports.	
Special measures for Non-Cooperative Countries or Territor5ies (NCCTS)			
58	FC-7.1.1 FC-7.1.2	➢ Inquire and document the process the Licensee 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: (a) Identified by the FATF as being 'non-cooperative'; or (b) Notified to Licensees from time to time by the CBB. ➢ Inquire and document the process that the Licensee 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.	
59	FC-7.1.3	Inquire if the Licensee has policies and processes to perform EDD for business relationships and transactions with natural and legal persons, and financial institutions, from countries where such measures are called for by the FATF.	
Terrorist Financing			

Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with the Financial Crime Module (FC) of the Rulebook

Sr. No.	*Reference*	*Procedures*	*Findings based on procedures performed*
60	FC-7.2.1AA	➢ Inquire and document the Licensee'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. ➢ 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 to the customers' list obtained in procedure 10. ➢ Inquire if the Licensee has records for freezing, without delay, the funds or other assets of, and had 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). ➢ If applicable, obtain the list of frozen policies and inspect, on a sample basis, whether these accounts were reported to the CBB along with the freezing date after identification.	
61	FC-7.2.1	Inquire and document the Licensee's process for compliance in full with any rules or regulations issued by the CBB in connection with the provisions of the UN Security Council Anti-terrorism Resolution No. 1373 of 2001 ('UNSCR 1373'), including the rules in this Chapter.	
62	FC-7.2.4	Inquire that the Licensee 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 Licensee has on persons and entities which may be the subject of Article 1, Paragraphs c) and d) of UNSCR 1373.	
63	FC-7.3.1	Inquire if the Licensee has during the year dealt with persons or entities designated by the CBB as potentially linked to terrorist activity.	
64	FC-7.3.3	Inquire if the Licensee has processes to report to the relevant authorities, details of any accounts or other dealings with designated persons and entities, and comply with any subsequent directions issued by the relevant authorities.	
65	Prior period report	Inspect the Licensee's update report provided to the CBB in relation to the issues raised in the prior period report.	

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Sr. No.	*Reference*	*Procedures*	*Findings based on procedures performed*
Fraud			
66	FC-10.1.1	Inspect if the Licensee has allocated appropriate resources and have in place systems and controls to deter, detect, and record instances of fraud or attempted fraud.	
67	FC-10.1.3	Ensure that any actual or attempted fraud incident (however small) is reported to the appropriate authorities (including the CBB) and followed up. Ensure that a monitoring systems are designed to measure fraud patterns that might reveal a series of related fraud incidents.	
68	FC-10.1.4	Ensure that the Licensee has assigned a person overall responsibility for the prevention, detection and remedy of fraud, at a senior level of the organisation.	
69	FC-10.1.5	Inspect if the Licensee 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.	
70	FC-10.1.6	Inquire if the Licensee 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 the Financial Crime Module (FC) of the Rulebook

Sample Selection Matrix

Customers

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

Transactions

Population size	Sample Size
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.