

MODULE	GR: General Requirements
CHAPTER	GR-14: Client Money

GR-14.1 Client Money Requirements

GR-14.1.1 This Chapter applies to all PSPs that are allowed to hold client money (see glossary).

GR-14.1.2

Licensees must receive client money into a client money account with a retail bank in Bahrain and make clear in the title of the bank account that the funds in the account belong to one or more customers of the licensee and not to the licensee.

GR-14.1.3

Licensees must ensure that it has established and implemented adequate policies, procedures and systems, including those related to fraud risk and that the client money is:

- (a) Held under special arrangement with the retail bank (either through an escrow arrangement or other legally enforceable means which ensures protection of client money in the event of any insolvency of the licensee or in the event of any misuse);
- (b) Held in a fiduciary capacity and must not be commingled with its own funds at any point of time;
- (c) Used only for the purposes for which the licensee received it from its customers;
- (d) Not used for licensee's own use at any point in time or given as collateral for any purpose to a third party or be subject to any restrictions; and
- (e) Reported separately as off-balance sheet item in the licensee's financial statements specifying also the nature and purpose for which such funds are held by the bank on behalf of its customers.

GR-14.1.4

Licensees must perform reconciliations of client money accounts with related client customer accounts in their accounting records. These reconciliations must be carried out on a monthly basis as at the last business day of each calendar month. The licensee must ensure that the reconciliations are completed within 5 business days of the month end so that any unresolved differences, shortfalls and excess balances can be investigated, and corrective action initiated.

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GR-14.1 Client Money Requirements (continued)

GR-14.1.5

Licensees holding client money in the course of carrying out payment services must appoint independent auditors to perform an audit of client money every 6 months and submit the report to the CBB after two months of period end, i.e. 31st August for the 30th June report and end of February for the 31st December report. The audit must be performed by the licensee's external auditor or an independent third-party audit firm acceptable to the CBB. Such audit must be conducted to ensure full compliance with the requirements of this Chapter. Significant exceptions to the requirements to this rule will be subject to enforcement actions including revocation of license in instances of recurring violations of law or regulations.

Glossary:

Client money

Client money comprises any money that a licensee receives and holds on a fiduciary basis, as intermediary in the course of carrying on regulated services, towards the execution of transactions on behalf of its customers.