



# **FINANCIAL CRIME MODULE**

CONSULTATION



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

## FC-1.1 General Requirements (continued)

### *Incomplete Customer Due Diligence*

**FC-1.1.11** Where a conventional bank licensee is unable to comply with the requirements specified in Chapters 1, 2 and 3, it must consider 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.

FC-1.1.12 See also Chapter FC-5, which covers the filing of suspicious transaction reports. Regarding the return of funds to the counterparty, if funds are received in cash, funds should be returned in cash. If funds are received by wire transfer, they should be returned by wire transfer.

### *Non-Resident Accounts*

**FC-1.1.12A** Conventional retail bank licensees that open bank accounts or otherwise transact or deal with non-resident customers must have documented criteria for acceptance of business from such persons. For non-resident customers, conventional retail bank licensees must ensure the following:

- (a) Ensure there is a viable economic reason for the business relationship;
- (b) Perform enhanced due diligence;
- (c) Obtain and document the country of residence for tax purposes where relevant;
- (d) Obtain evidence of banking relationships in the country of residence;
- (e) Obtain the reasons for dealing with licensee in Bahrain;
- (f) Obtain an indicative transaction volume and/or value of incoming funds; and
- (g) Test that the persons are contactable without unreasonable delays.

**FC-1.1.12B** Conventional retail bank licensees that open bank accounts or otherwise transact or deal with non-resident customers must have documented approved policies in place setting out the products and services which will be offered to non-resident customers. Such policy document must take into account a comprehensive risk assessment covering all risks associated with the products and services offered to non-residents. The licensee must also have detailed procedures to address the risks associated with the dealings with non-resident customers including procedures and processes relating to authentication, genuineness of transactions and their purpose.



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

## FC-1.1 General Requirements (continued)

**FC-1.1.12C** Conventional bank licensees must not accept non-residents customers from high risk jurisdictions subject to a call for action by FATF.

**FC-1.1.12D** Conventional bank licensees must take adequate precautions and risk mitigation measures before onboarding non-resident customers from high risk jurisdictions. The licensees must establish detailed assessments and criteria that take into consideration FATF mutual evaluations, FATF guidance, the country national risk assessments (NRAs) and other available guidance on onboarding and retaining non-resident customers from the following high risk jurisdictions:

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

**FC-1.1.12E** Conventional retail bank licensees that deal with non-resident, **non-GCC national customers**, other than with financial institutions, listed companies and governmental authorities in FATF countries referred to in FC-1.11.1, must perform enhanced due diligence (see Section FC-1.3) ~~for all its non-resident, customers~~ before establishing the account relationship with such customers. However, all non-residents customers accounts must be subject to ~~and, thereafter, also perform~~ enhanced transaction monitoring. ~~throughout the course of the relationship with all non-resident customers.~~

**FC-1.1.12F** All conventional bank licensees must establish systems and measures that are proportional to the risk relevant to each jurisdiction and this must be documented. Such a document must show the risks, mitigation measures for each jurisdiction and for each non-resident customer.

**FC-1.1.12G** All conventional bank licensees must establish a comprehensive documented policy and procedures describing also the tools, methodology and systems that support the licensee's processes for:

- The application of RBA;
- Customer due diligence;
- Ongoing transaction monitoring; and
- Reporting in relation to their transactions or dealings with non-resident customers.

**FC-1.1.12H** Conventional bank licensees must ensure that only official/government documents are accepted for the purpose of information in Subparagraphs FC-1.2.1 (a) to (f) in the case of non-resident customers.

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

## FC-1.1 General Requirements (continued)

### FC-1.1.13

Where a non-resident customer intends to take up employment or to do business in Bahrain and has not completed residence permit and registration requirements and is currently awaiting receipt of his formal Bahraini identification documents, the licensee must open an account if requested by such customer, unless it has serious reasons to decline opening the account.

FC-1.1.13A In complying with the requirements of Paragraph FC-1.1.13, examples of serious reasons for denying the request for opening an account may include failure to provide a valid passport. It may also include instances where a potential customer's conduct or activity appears suspicious or the customer's name appears in one of the local, regional or international sanction lists.

### FC-1.1.13B

Where a company under formation in the Kingdom of Bahrain, which presents formal documents providing evidence that it has applied for and is awaiting its final commercial registration (CR), requests to open an account at a retail bank in Bahrain, the bank must open the requested account unless it has serious reasons to decline.

FC-1.1.13C In complying with the requirements of Paragraph FC-1.1.13B, examples of serious reasons for denying the request for opening an account may include instances where a potential customer's conduct or activity appears suspicious or one of the principal's (shareholder or management) or the company under formation appears in one of the local, regional or international sanction lists.

FC-1.1.13D Retail banks shall continue to open accounts for companies under formation, which have been granted a commercial registration but not yet completed all other formalities.

FC-1.1.13E In order for the companies to operate the accounts, they shall be required to complete the KYC and other establishment requirements within a period of six months from the date of opening the account. The period of six months shall be extendable subject to a bilateral understanding between the two parties, taking into account the official required procedures of obtaining the license.

FC-1.1.13F If the company under formation did not complete the license formalities nor submitted all required KYC documents to the subject bank within the agreed period and the company is not cooperating with the bank, the account of the company must be classified as dormant.

### FC-1.1.13G

Retail banks must notify the Ministry of Industry, Commerce and Tourism when the account of companies under formation is classified as dormant and/or when the initial capital is withdrawn.

FC-1.1.13H Closure of the accounts thereafter shall be subject to the discretion of the bank.

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

## FC-1.1 General Requirements (continued)

**FC-1.1.14** ~~Accounts opened for customers residing outside Bahrain, are subject to the enhanced customer due diligence measures outlined in Section FC-1.3. Licensees must not open accounts for natural persons residing outside the GCC through a digital onboarding process, except for excluding:~~

- ~~(a) Golden Visa holders; and~~
- ~~(b) GCC nationals holding a Bahraini CPR using the National E-KYC system.~~

~~Licensees must however take into consideration the requirements set out in Paragraphs FC-1.1.12A to FC-1.1.12H when opening an account for such customers.~~

**FC-1.1.14A** ~~Notwithstanding the requirement in Paragraph FC-1.1.14, conventional bank licensees may open accounts for Bahraini GCC nationals holding a Bahraini CPR not physically present in Bahrain through a digital onboarding process using the National E-KYC system, taking into consideration the risk-based approach requirements set out in Chapter FC-C and non-resident requirements set out in Paragraphs FC-1.1.12A to FC-1.1.12H. [This Paragraph was deleted in XX 2023].~~

~~FC-1.1.14B Licensees may open accounts for non-resident customers with Golden Visa taking into consideration the non-resident requirements set out in Paragraphs FC-1.1.12A to FC-1.1.12H. [This Paragraph was deleted in XX 2023].~~

**FC-1.1.15** Where a non-resident account is opened, the customer must be informed by the conventional bank licensee of any services which may be restricted or otherwise limited, as a result of their non-resident status.

FC-1.1.16 For purposes of Paragraph FC-1.1.15, examples of limitations or restrictions for non-resident accounts may include limitations on banking services being offered including the granting of loans or other facilities, including credit cards or cheque books.



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

## FC-1.2 Face-to-face Business

### *Natural Persons*

#### FC-1.2.1

If the customer is a natural person, conventional bank licensees must identify the person's identity and obtain the following information before providing financial services of any kind:

- (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) Current CPR or Iqama number (for residents of Bahrain or GCC states) or government issued national identification proof;
- (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 account, and nature and volume of anticipated business dealings with the conventional bank licensee;
- (k) Signature of the customer(s);
- (l) Source of funds; and
- (m) Reason for opening the account.

#### FC-1.2.1A

Conventional bank licensees obtaining the information and customer signature electronically using digital applications must comply with the applicable laws governing the onboarding/business relationship including but not limited to the Electronic Transactions Law (Law No. 54 of 2018) for the purposes of obtaining signatures as required in Subparagraph FC-1.2.1 (k) above.

#### FC-1.2.2

See Part B, Volume 1 (Conventional Banks), for Guidance Notes on source of funds (FC-1.2.1 (1)) and requirements for residents of Bahrain (FC-1.2.1 (c) & (f)).



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

## FC-1.2 Face-to-face Business (continued)

### FC-1.2.2A

Conventional retail bank licensees must verify the information in Paragraph FC-1.2.1 (a) to (f) by the following methods; 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 use of the national E-KYC application and if this is not practical, obtaining a copy of a current valid official original identification document (e.g. birth certificate, passport, national identity card, CPR or Iqama); and
- (b) Confirmation of the permanent residential address by use of the national E-KYC application and if this is not practical, obtaining 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 national identity card or CPR, from a public/governmental authority, or a tenancy agreement or record of home visit by an official of the conventional bank licensee.

### FC-1.2.3

Conventional wholesale bank licensees must verify the information in Paragraph FC-1.2.1 (a) to (f) by the following method; 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, national identity card, CPR or Iqama);
- (b) Confirmation of the permanent residential address by 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 national identity card or CPR, from a public/governmental authority, or a tenancy agreement or record of home visit by an official of the conventional bank licensee; and
- (c) Where appropriate, direct contact with the customer by phone, letter or email to confirm relevant information, such as residential address information.

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

## FC-1.2 Face-to-face Business (continued)

**FC-1.2.4** Any document copied or obtained for the purpose of identification verification in a face-to-face customer due diligence process must be an original. An authorised official of the licensee must certify the copy, by writing on it the words ‘original sighted’, together with the date and his signature. Equivalent measures must be taken for electronic copies.

**FC-1.2.5** Identity documents which are not obtained by an authorised official of the licensee in original form (e.g. due to a customer sending a copy by post following an initial meeting) must instead be certified (as per FC-1.2.4) by one of the following from a 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.

**FC-1.2.6** The individual making the certification under FC-1.2.5 must give clear contact details (e.g. by attaching a business card or company stamp). The conventional bank licensee must verify the identity of the person providing the certification through checking membership of a professional organisation (for lawyers or accountants), or through checking against databases/websites, or by direct phone or email contact.



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

## FC-1.2 Face-to-face Business

### FC-1.2.7

If the customer is a legal entity or a legal arrangement such as a trust, the conventional bank licensee must obtain and record the following information from original identification documents, databases or websites, in hard copy or electronic form, to identify the customer and to take reasonable measures to 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);
- (hh) The names of the relevant persons having a senior management position in the legal entity or legal arrangement;
- (i) Name of external auditor (where applicable);
- (j) Type of account, and nature and volume of anticipated business dealings with the conventional bank licensee; and
- (k) Source of funds.

### FC-1.2.8

The information provided under FC-1.2.7 (a) to (i) must be verified by obtaining certified copies of the following documents, as applicable (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 banking services (only necessary in the case of private or unlisted companies);
- (f) Identification documentation of the authorised signatories to the account (certification not necessary for companies listed in a GCC/FATF state);
- (g) ~~Copy of the latest financial report and accounts, audited where possible (audited copies do not need to be certified); and~~ [This Sub-paragraph was deleted in XX 2023];
- (h) 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)

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

## FC-1.2 Face-to-face Business

### FC-1.2.8A

For customers that are legal persons, conventional bank licensees must identify and take reasonable measures to verify the identity of beneficial owners through 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.

FC-1.2.8B In the context of risk assessments under the RBA for its customers, the licensees should consider obtaining other information, one of which is a copy of the latest audited financial statements, and where audited financial statements are not available, unaudited financial statements, to effectively assess the ML/TF risk profile of the legal person.

### FC-1.2.9

**Documents obtained to satisfy the requirements in FC-1.2.8 above must be certified in the manner specified in FC-1.2.4 to FC-1.2.6.**

FC-1.2.9A For the purpose of Paragraph FC-1.2.8(a), the requirement to obtain a certified copy of the commercial registration, may be satisfied by obtaining a commercial registration abstract printed directly from the Ministry of Industry, Commerce and Tourism’s website, through “SIJILAT Commercial Registration Portal”.

FC-1.2.10 The documentary requirements in FC-1.2.8 above do not apply in the case of FATEF/GCC listed companies: see Section FC-1.11 below. Also, the documents listed in FC-1.2.8 above are not exhaustive: for customers from overseas jurisdictions, documents of an equivalent nature may be produced as satisfactory evidence of a customer’s identity.

### FC-1.2.11

Licensees must also obtain and document the following due diligence information. These due diligence requirements must be incorporated in the licensee’s new business procedures:

- (a) Enquire as to 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>MODULE</b>	<b>FC:</b>	<b>Financial Crime</b>
<b>CHAPTER</b>	<b>FC:</b>	<b>Customer Due Diligence Requirements</b>

## FC-1.2 Face-to-face Business (continued)

- (b) Ascertain whether the legal entity has been or is in the process of being wound up, dissolved, struck off or terminated;
- (c) Obtain the names, country of residence and nationality of Directors or partners (only necessary for private or unlisted companies);
- (d) Require, through new customer documentation or other transparent means, updates on significant changes to corporate ownership and/or legal structure;
- (e) Obtain and verify 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, establish the identity of the settler(s), trustee(s), and beneficiaries (including making such reasonable enquiries as to ascertain the identity of any other potential beneficiary, in addition to the named beneficiaries of the trust); and
- (g) Where a licensee has reasonable grounds for questioning the authenticity of the information supplied by a customer, conduct additional due diligence to confirm the above information.

FC-1.2.12 For the purposes of Paragraph FC-1.2.11, acceptable means of undertaking such due diligence might include taking bank references; visiting or contacting the company by telephone; undertaking a company search or other commercial enquiries; accessing public and private databases (such as stock exchange lists); making enquiries through a business information service or credit bureau; confirming a company's status with an appropriate legal or accounting firm; or undertaking other enquiries that are commercially reasonable.

FC-1.2.13 Where a licensee is providing investment management services to a regulated mutual fund and is not receiving investors' funds being paid into the fund, it may limit its CDD to confirming that the administrator of the fund is subject to FATF-equivalent customer due diligence measures (see FC-1.9 for applicable measures). Where there are reasonable grounds for believing that investors' funds being paid into the fund are not being adequately verified by the administrator, then the licensee should consider terminating its relationship with the fund.

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

## FC-1.3 Enhanced Customer Due Diligence: General Requirements

### FC-1.3.1

Enhanced customer due diligence must be performed on those customers identified as having a higher risk profile, and additional inquiries made or information obtained in respect of those customers.

### FC-1.3.2

Licensees should examine, as far as reasonably possible, the background and purpose of all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or lawful purpose. Where the risks of money laundering or terrorist financing are higher, licensees should conduct enhanced CDD measures, consistent with the risks identified. In particular, they should increase the degree and nature of monitoring of the business relationship, in order to determine whether those transactions or activities appear unusual or suspicious. The additional inquiries or information referred to in Paragraph FC-1.3.1 include:

- (a) Obtaining additional information on the customer (e.g. occupation, volume of assets, information available through public databases, internet, etc.), and updating more regularly the identification data of customer and beneficial owner;
- (b) Obtaining additional information on the intended nature of the business relationship;
- (c) Obtaining information on the source of funds or source of wealth of the customer;
- (d) Obtaining information on the reasons for intended or performed transactions;
- (e) Obtaining the approval of senior management to commence or continue the business relationship;
- (f) Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination;
- (g) Taking specific measures to identify the source of the first payment in this account and applying RBA to ensure that there is a plausible explanation in any case where the first payment was not received from the same customer's account;
- (h) Obtaining evidence of a person's permanent address through the use of a credit reference agency search, or through independent governmental database or by home visit;
- (i) Obtaining a personal reference (e.g. by an existing customer of the conventional bank licensee);
- (j) Obtaining another licensed entity's reference and contact with the concerned licensee regarding the customer;
- (k) Obtaining documentation outlining the customer's source of wealth;
- (l) Obtaining additional documentation outlining the customer's source of income; **and**
- (m) Obtaining additional independent verification of employment or public position held; **and**
- (n) **Copy of the latest audited financial report (or unaudited financial statements when audited financial statements are not available).**

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

### **FC-1.3 Enhanced Customer Due Diligence: General Requirements (continued)**

FC-1.3.3 In addition to the general rule contained in Paragraph FC-1.3.1 above, special care is required in the circumstances specified in Sections FC-1.4 to FC-1.9 inclusive.

FC-1.3.4 Additional enhanced due diligence measures for non-resident, **non-GCC national** account holders may include the following:

- (a) References provided by a regulated bank from a FATF country;
- (b) Certified copies of bank statements for a recent 3-month period; or
- (c) References provided by a known customer of the conventional bank licensee.



MODULE	FC:	Financial Crime
CHAPTER	FC-2:	AML / CFT Systems and Controls

## FC-2.2 On-going Customer Due Diligence and Transaction Monitoring

### *Risk Based Monitoring*

#### FC-2.2.1

Conventional bank licensees must develop risk-based monitoring systems appropriate to the complexity of their business, their number of clients and types of transactions. These systems must be configured to identify significant or abnormal transactions or patterns of activity. Such systems must include limits on the number, types or size of transactions undertaken outside expected norms; and must include limits for cash and non-cash transactions.

#### FC-2.2.2

Conventional bank licensees' risk-based monitoring systems should therefore be configured to help identify:

- (a) Transactions which do not appear to have a clear purpose or which make no obvious economic sense;
- (b) Significant or large transactions not consistent with the normal or expected behaviour of a customer; and
- (c) Unusual patterns of activity (relative to other customers of the same profile or of similar types of transactions, for instance because of differences in terms of volumes, transaction type, or flows to or from certain countries), or activity outside the expected or regular pattern of a customer's account activity.

### *Automated Transaction Monitoring*

#### FC-2.2.3

Conventional bank licensees must consider the need to include automated transaction monitoring as part of their risk-based monitoring systems to spot abnormal or unusual flows of funds. In the absence of automated transaction monitoring systems, all transactions above BD 6,000 must be viewed as 'significant' and be captured in a daily transactions report for monitoring by the MLRO or a relevant delegated official, and records retained by the conventional bank licensee for five years after the date of the transaction.

#### FC-2.2.4

CBB would expect larger conventional bank licensees to include automated transaction monitoring as part of their risk-based monitoring systems. See also Chapters FC-4 and FC-7, regarding the responsibilities of the MLRO and record-keeping requirements.



MODULE	FC:	Financial Crime
CHAPTER	FC-2:	AML / CFT Systems and Controls

## FC-2.2 On-going Customer Due Diligence and Transaction Monitoring (continued)

### *Unusual Transactions or Customer Behaviour*

**FC-2.2.5** Where a conventional bank licensee's risk-based monitoring systems identify significant or abnormal transactions (as defined in FC-2.2.2 and FC-2.2.3), it must verify the source of funds for those transactions, particularly where the transactions are above the transactions threshold of BD 6,000. Furthermore, conventional bank licensees must examine the background and purpose to those transactions and document their findings.

**FC-2.2.6** The investigations required under FC-2.2.5 must be carried out by the MLRO (or relevant delegated official). The documents relating to these findings must be maintained for five years from the date when the transaction was completed (see also FC-7.1.1 (b)).

**FC-2.2.7** Conventional bank licensees must consider instances where there is a significant, unexpected or unexplained change in customer activity.

**FC-2.2.8** When an existing customer closes one account and opens another, the conventional bank licensee must review its customer identity information and update its records accordingly. Where the information available falls short of the requirements contained in Chapter FC-1, the missing or out of date information must be obtained and re-verified with the customer.

FC-2.2.9 Once identification procedures have been satisfactorily completed and, as long as records concerning the customer are maintained in line with Chapters FC-1 and FC-7, no further evidence of identity is needed when transactions are subsequently undertaken within the expected level and type of activity for that customer, provided reasonably regular contact has been maintained between the parties and no doubts have arisen as to the customer's identity.



<b>MODULE</b>	<b>FC:</b>	<b>Financial Crime</b>
<b>CHAPTER</b>	<b>FC-2:</b>	<b>AML / CFT Systems and Controls</b>

## FC-2.2 On-going Customer Due Diligence and Transaction Monitoring (continued)

### *On-going Monitoring*

FC-2.2.10

Conventional bank licensees must take reasonable steps to:

- (a) Scrutinize transactions undertaken throughout the course of that relationship to ensure that transactions being conducted are consistent with the conventional bank 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. Conventional bank licensees must require all customers to provide up-to-date identification documents in their standard terms and conditions of business.

FC-2.2.11

~~Conventional bank licensees must review and update their customer due diligence information at least every three years, particularly for higher risk categories of customers. If, upon performing such a review, copies of identification documents are more than 12 months out of date, the conventional bank licensee must take steps to obtain updated copies as soon as possible. apply CDD requirements to update existing customer information at periodic intervals determined on the basis of:~~

- ~~(a) Materiality and risk;~~
- ~~(b) Adequacy of customer information previously obtained; and~~
- ~~(c) Timing of CDD measures previously undertaken.~~

FC-2.2.12

For purposes of Paragraph FC-2.2.11, conventional bank licensees should ensure that the policy specifies how each of the elements (a), (b) and (c) above are determined for the purpose of updating customer information. Materiality and risk should consider the nature of relationship, volume of transactions and balances; adequacy of customer information may change during the course of the relationship and the timing of CDD measures refers to how old the information is. All these factors affect the policy for periodic review and updating of customer information.