



# FINANCIAL CRIME MODULE

Consultation

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## FC-1.1 General Requirements (continued)

### *Timing of Verification – Companies under Formation or New Arrivals*

#### FC-1.1.10

Islamic bank licensees must not commence a business relationship or undertake a transaction with a customer before completion of the relevant customer due diligence measures specified in Chapters 1, 2 and 3. Licensees must also adopt risk management procedures with respect to the conditions under which a customer may utilise the business relationship prior to verification. However, verification may be completed after receipt of funds in the case of: Bahrain companies under formation which are being registered with the Ministry of Industry, Commerce and Tourism; or newly arrived persons in Bahrain who are taking up employment or residence; or non face-to-face business, or the subsequent submission of CDD documents by the customer after undertaking initial customer due diligence provided no disbursement of funds takes place in any of the above cases until after the requirements of these Chapters have been fully met.

#### FC-1.1.10A

Islamic bank licensees opening accounts for companies under formation must follow the following procedures in two stages:

##### Stage 1:

- (a) Licensees must open accounts for companies under formation that provide evidence of applying for commercial registration (CR) but have not completed the entire process to obtain the final CR;
- (b) Amounts can be received/deposited to this account but cannot be disbursed until it is made fully operational; and

##### Stage 2:

- (c) The account is made fully operational once the final CR is received and the customer has completed all customer due diligence requirements in accordance with this Module.

#### FC-1.1.10B

In complying with the requirements of Paragraph FC-1.1.10A, licensees should request only reasonable information and documentation necessary for customer due diligence purposes during stage 1. Licensees should only deny a request for opening accounts due to serious reasons. Examples of such reasons may include instances where one of the shareholders or management of the company under formation appears in one of the local, regional or international sanction lists.

#### FC-1.1.10C

In order for the companies to operate the accounts (stage 2), 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.



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## FC-1.1 General Requirements (continued)

**FC-1.1.10D** Islamic bank licensees must classify the accounts of companies under formation as dormant if the company did not complete the CR formalities, did not submit all required KYC documents within the agreed period and the company is not cooperating with the bank. Licensees must notify the Ministry of Industry and Commerce when the account of companies under formation is classified as dormant and/or when the initial capital is withdrawn. Closure of the accounts thereafter shall be subject to the discretion of the bank.

### *Incomplete Customer Due Diligence*

**FC-1.1.11** Where an Islamic 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** Islamic retail bank licensees that open bank accounts or otherwise transact or deal with non-resident customers who are natural persons must have documented criteria for acceptance of business from such persons. For non-resident customers, Islamic 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.



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## 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~~ ~~Islamic 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 Islamic bank within the agreed period and the company is not cooperating with the Islamic bank, the account of the company must be classified as dormant.~~

~~FC 1.1.13G~~ ~~Islamic 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.~~