



AL BARAKA ISLAMIC BANK B.S.C. (E.C)

**KNOW YOUR CUSTOMER AND ANTI-MONEY
LAUNDERING MANUAL (KYC/AML)**

BAHRAIN

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1. INTRODUCTION

1.1 NATURE AND PURPOSE OF THIS MANUAL

This Manual sets out Al Baraka Islamic Bank B.S.C (E.C)'s ("the Bank") comprehensive policies and procedures for preventing money laundering and combating the financing of terrorism. The Manual covers the Anti-Money Laundering (AML)/Know your Customer (KYC) policies required to conduct the Bank's business in compliance with guidelines provided by the Central Bank of Bahrain (CBB). Detailed procedures are included on account opening and customer due diligence, internal and external reporting, staff training and record keeping.

In compliance with the core principles of effective banking supervision recommended by Basil Committee, the following Policy/ Guidelines shall be followed for prevention of criminal use of Banking channels for the purpose of Money Laundering or any other unlawful purposes. This policy is governed by the local Laws, Rules and Regulations with specific reference to the provisions of the Amiri Decree law No. (4) of 2001 of the Kingdom of Bahrain, and by the respective banking authorities of the branches.

The Manual aims to assist all members of management and staff to understand:

- ▶ All legal requirements and the different penalties for non-compliance;
- ▶ What the Bank requires of you; and
- ▶ How to recognize money laundering and the action you must take if you do.

All members of the Bank's management and staff are expected to:

- ▶ Be aware of their personal legal obligations and the legal obligations of the Bank;
- ▶ Be aware of the Bank's policies and follow the Bank's procedures;
- ▶ Be alert for anything suspicious; and
- ▶ Report suspicions in line with internal procedures.

The policies and procedures stated in the Manual are minimum requirements under normal circumstances. It is the responsibility of management to establish additional controls to curb money laundering and strengthening KYC policies and procedures and communicate such controls to the Money Laundering Reporting Officer (MLRO), Internal Audit and Risk Management departments for updates of the Manual.



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1.2 STRUCTURE OF THIS MANUAL

The AML policy and procedure Manual has been divided into following sections:

Money Laundering

This section defines money laundering, the process of money laundering and various stages involved in the process of money laundering.

The Bank's Policy

This section highlights the Bank's policy with regards to regulatory compliance, customers' acceptance, customers' due diligence and responsibilities of the MLRO.

Customer Identification - General Principles

This section provides general principles for the verification of customers' identification, timing of verification and other account opening formalities.

Customer Identification - Exceptional Circumstances

This section provides principles for verification of customers' identification, timing of verification and other account opening formalities, in case of exceptional circumstances.

Ongoing Customer Due Diligence and Monitoring

This section highlights the Bank's policy for reviewing existing customer due diligence information on a regular basis.

Transactions Through Correspondent Relationship

This section details the procedures that need to be carried out for correspondent banks and describes the account opening formalities and other requirements in detail.

Introduced Business from Professional Intermediaries

This section includes the policies and procedures when the business is being referred by other banks or introducers.

Money Transfers

This section provides minimum requirements which should be complied with, in case of inward/outward money transfers.

Monitoring Accounts for Suspicious Activity

This section defines various types of activities and transactions that should be monitored and reported on an ongoing basis.

Reporting Suspicions

This section outlines different stages of the Bank's suspicious transaction reporting procedure.

Combating the Financing of Terrorism

This section presents treatment of transactions, which have no apparent economic or visible lawful purpose.



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Record Keeping

This section provides the document retention policy of the Bank as per the CBB regulations.

Education and Training

This section details the Bank's education and training policy for the existing and new staff members in context of AML.

Annual Compliance Report

This section discusses the scope of the review of the effectiveness of AML/CFT controls.

Non - Compliance Reporting

This section of the Manual highlights procedures for ensuring confidentiality of staff member reporting suspicious transactions.

Acknowledgement

This section comprises an acknowledgement form that should be submitted by all concerned staff members to the MLRO and Risk Management department of the Bank.



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1.3 REVIEW AND APPROVAL

The Board of Directors (BoD) of the Bank has approved the AML policy and procedure Manual. Extracts of the minutes of the BoD meeting at which this Manual has been approved can be obtained from the Board Secretary.

The Risk Management/Compliance department staff shall review the Manual at least once a year to ensure that it is in line with the changes in the Bank's products, operational procedures, and/or any other changes introduced by the CBB and other regulatory authorities that may have an impact on the processes described in the Manual.

The Manual shall be also reviewed by the Internal Audit department as and when changes occur in the Bank's current practices and in the regulatory environment to account for procedural modifications/advancements needed.

Any significant modifications arising out of the review will be forwarded to the Head of Risk Management department, who will decide if a modification to the Manual is needed. All amendments to the Manual will be approved in writing by the Chief Executive Officer (CEO).

Revised copies and index pages will be immediately issued by the Risk Management department and a revised manual will be sent to all Manual holders reporting such modifications.



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2. MONEY LAUNDERING

Money Laundering is the process by which the direct or indirect benefit of crime is channelled through financial institutions to conceal the true origin and ownership of the proceeds of criminal activities. If successful, the money can lose its criminal identity and appear legitimate.

Generally, the process of money laundering comprises three stages, during which there may be numerous transactions that could alert a bank to the money laundering activity:

- ▶ **Placement:** the physical placement of illegally derived funds into the financial system, usually through a financial institution;
- ▶ **Layering:** the separation of the benefits of criminal activity from their source by creating layers of financial transactions designed to disguise the audit trail and provide anonymity; and
- ▶ **Integration:** the placement of funds back into the economy to give the appearance of a legitimate source.

The financing of terrorism is the financial support, in any form, of terrorism or those who encourage, plan or engage in terrorism. Those involved in terrorist financing transfer funds that may be legal or illicit in origin in such a way as to conceal their source and ultimate use, which is the support of terrorism.

The techniques used to launder money are essentially the same as those used in terrorist financing. If the source can be concealed, it remains available for future terrorist financing activity. Similarly, it is important for terrorists to conceal the use of funds so that the financing activity goes undetected.

The policies and procedures included in this Manual are designed to address the issue of financial crime, both in terms of money laundering and terrorist financing.

2.1 OBJECTIVES OF AML POLICY AND PROCEDURE MANUAL

From the perspective of the Bank, the prevention of money laundering has three objectives:

- ▶ **Ethical** - taking part in the fight against crime;
- ▶ **Professional** - ensuring that the Bank is not involved in recycling the proceeds of crime that could call into question its reputation, integrity and, if fraud is involved, its solvency; and
- ▶ **Legal** - complying with Bahrain legislation and regulations that impose a series of specific obligations on financial institutions and their employees.

These policies and guidelines are intended to prevent the Bank's operations and activities from being used for unlawful purposes. To this end, it is imperative that the Bank accepts only those customers whose identity and source of wealth and funds can reasonably be established as legitimate.



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2.2 DEFINITIONS

Anti-Money Laundering Unit (AMLU)

The AMLU is Bahrain's financial intelligence unit. It is a part of the Anti - Economic Crime Directorate (AECDD) of the Ministry of Interior General Directorate of criminal investigation. It receives Suspicious Transaction Reports (STRs) filed by institutions covered by Decree Law 4/2001.

Authorized Money Transferor

Any bank or other licensee (such as money changers) specifically authorized to affect money transfers.

Bank Operations

The department responsible of operating bank money transfers.

Customer

Any person seeking to form a business relationship or carry out a one-off transaction, with the Bank.

Customer Due Diligence Measures

Measures taken by the Bank to obtain information which accurately identifies a customer including the financial circumstances of the customer and the features of the transaction which the Bank has entered into with or for the customer.

Money Laundering Reporting Officer (MLRO) and Deputy Money Laundering Reporting Officer (DMLRO)

The persons who are responsible of overseeing all AML activity within the Bank.

Suspicious Transaction

Any transaction or deal which raises in the mind of a person involved, any concerns or indicators that such a transaction or deal may be related to money laundering or terrorist financing or any other unlawful activity.



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3. THE BANK'S POLICY

3.1 GENERAL

It is the policy of the Bank to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the financing of terrorist or criminal activities. Therefore, the Bank will not establish a relationship with, or conduct a transaction for, a customer;

- ▶ Whose funds appear to be the proceeds of or involved in an illegal activity;
- ▶ Whose identity or legitimacy cannot be satisfactorily established;
- ▶ Who fails to provide information which is necessary to comply with these policies;
- ▶ For whom there are inconsistencies or inaccuracies in the information provided which cannot be resolved after further investigation; or
- ▶ Who insists on opening or maintaining a secret, numbered account or an account in a false name.

The Bank's policy is intended to guard against the Bank's unintentional involvement as an intermediary in a process to conceal the true source of funds that were originally derived from criminal activity.

3.2 REGULATORY COMPLIANCE

It is the policy of the Bank to comply with the AML laws and regulations of the jurisdictions in which it undertakes business activities. The applicable AML laws and regulations include (but not limited to) the following:

- ▶ **Bahrain** - Legislative Decree No. 4 of the year 2001 with respect to Prohibition of and Combating Money Laundering; Legislative Decree No. 54 of 2006 with respect to Amending Certain Provisions of Legislative Decree No. 4 of 2001 with respect to Prevention and Prohibition of Laundering of Money; Legislative Decree No. 58 of 2006 with respect to the Protection of Society from Terrorism Activities; The Financial Crime module of the CBB Rulebook, first issued in July 2004 and revised periodically by the CBB;
- ▶ **Cayman Islands** - The Proceeds of Crime Law 2008; The Money Laundering Regulation (2009 Revision); Guidance Notes on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands, March 2010;
- ▶ **European Union** - Council of European Community Directive 91/308/EEC as amended by Directive 2001/97/EC and by Directive 2005/60/EC as amended by Directive 2008/20/EC of the European Parliament and the Council;
- ▶ The Kingdom of Saudi Arabia Anti-Money Laundering Law issued by Royal Decree No. M/39, dated 25/6/1424H (the "Saudi Arabian AML Law") and its implementing Regulations, as well as the Anti-Money Laundering and Counter-Terrorist Financing Rules (the "CMA Regulations") issued by Capital Market Authority (the "CMA")



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- ▶ **United Nations (“U.N.”) Security Council** - Anti-Terrorism resolution 1373 (2001) and Non-Cooperative Countries or Territories (NCCT) Notifications issued by the U.N. Security Council.

Bahrain, through its membership of the GCC, is also a member of the Financial Action Task Force (FATF), an international body established in 1989 to develop and promote policies, both at national and international levels, to combat money laundering and terrorist financing.

The regulations implemented by the CBB in relation to combating money laundering and terrorist financing comply with the 40 Recommendations on Money Laundering and the 9 Special Recommendations on Terrorist Financing (known as the ‘40+9 recommendations’) issued by the FATF. A list of FATF member countries is available on the website <http://www.fatf-gafi.org>.

It is the policy of the Bank to apply the current Bahrain AML laws and regulations as the basis for customer identification, verification of the source of funds and the ongoing monitoring and reporting of suspicious transactions. In situations where the AML regulations of the other jurisdictions require additional customer due diligence procedures to be undertaken over and above the equivalent Bahrain regulations, such additional procedures will be performed in order to satisfy the requirements of all applicable jurisdictions.

The Bank also gives special attention to any dealings it may have with entities or persons domiciled in countries or territories which are:

- ▶ Identified by the FATF as being ‘non-cooperative’; or
- ▶ Notified to the Bank from time to time by the CBB.

Whenever transactions with such parties have no apparent economic or visible lawful purpose, their background and purpose must be re-examined and the findings documented. If suspicions remain about the transaction, these must be reported to the relevant authorities in accordance with Section 11 of this manual.

3.3 REGULATORY PENALTIES AS PER BAHRAIN LAW, DECREE 04/2001, ARTICLE 3

Regulatory penalties as per Bahrain AML Law, Decree 04/2001, Article 3 are as follows:

- ▶ Participation in Money Laundering - Up to seven years of imprisonment and BD 1 million fine;
- ▶ Offences related to Money Laundering - Up to two years of imprisonment and BD 50,000 fine; and
- ▶ Contravening AML regulations - Up to three months of imprisonment and BD 20,000 fine.

3.4 MONEY LAUNDERING REPORTING OFFICER (MLRO)

The Bank will appoint an MLRO and a Deputy MLRO, who will act in the absence of the MLRO. The MLRO is responsible for overseeing all AML activity within the Bank and must be approved by the CBB and be resident in Bahrain. The Deputy MLRO must also



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be a resident of Bahrain unless otherwise agreed with the CBB. The Deputy MLRO must be approved by CBB prior to his appointment.

The position of MLRO must not be combined with functions that create potential conflicts of interest, such as internal auditor or business line head. The position of the MLRO may not be outsourced either.

If the position of MLRO falls vacant, the Bank must appoint a permanent replacement (after obtaining CBB approval), within 120 calendar days of the vacancy occurring. Pending the appointment of a permanent replacement, the Bank must make immediate interim arrangements (including the appointment of an acting MLRO) to ensure the continuity in the MLRO function's performance. These interim arrangements must be approved by the CBB.

The Bank must ensure that the MLRO and Deputy MLRO:

- ▶ Is a Director or a member of senior management;
- ▶ Has a sufficient level of seniority within the Bank, has the authority to act without interference from business line management and has direct access to the Board and senior management (where necessary);
- ▶ Has sufficient resources, including sufficient time and (if necessary) support staff, and has designated a replacement to carry out the function should the MLRO be unable to perform his duties;
- ▶ Has unrestricted access to all transactional information relating to any financial services provided by the Bank to the customer, or any transactions conducted by the Bank on behalf of a customer;
- ▶ Is provided with timely information needed to identify, analyse and effectively monitor customer accounts; and
- ▶ Has access to all customer due diligence information obtained by the Bank.

The MLRO is responsible for:

- ▶ Receiving and reviewing internal reports from management;
- ▶ Establishing and maintaining the AML/Combating the Financing of Terrorism ('CFT') policies and procedures;
- ▶ Ensuring that the Bank complies with the applicable AML law;
- ▶ Ensuring the day-to-day compliance with the Bank's own internal AML/CFT policies and procedures;
- ▶ Making external reports to the Anti-Money Laundering Unit of the Ministry of Interior and the CBB;
- ▶ Arranging staff awareness initiatives and training;
- ▶ Maintaining staff training records on the nature of training, attendees and the dates of training received for at least a period of five years;
- ▶ Making annual reports to senior management detailing the number of internal reports;



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- ▶ Coordinating with the Anti-Money Laundering Unit and the CBB on money laundering issues;
- ▶ Providing oversight of the on-going monitoring of high risk accounts by the Risk Management and MLRO;
- ▶ Receiving acknowledgements from all relevant staff that they have read and understood the provisions of this Manual; and
- ▶ Maintaining all necessary customers due diligence and transaction records for at least a period of five years.

3.5 SUBSIDIARIES, BRANCHES AND ASSOCIATES

The Bank must apply the requirements of this Manual to all its branches and subsidiaries operating in the Kingdom of Bahrain. For branches and subsidiaries in foreign jurisdictions the local as well as the Bahraini AML laws will be applicable. The Bank will provide proper oversight to ensure that its subsidiaries operating in foreign jurisdictions adhere to the relevant and applicable local anti-money laundering standards.

Where another jurisdiction's laws or regulations prevent the Bank (or any of its foreign branches or subsidiaries) from applying the same standards contained in the Bahrain AML Laws, the Bank must immediately inform the CBB in writing. In such instances, the CBB will review alternatives with the Bank. Should the CBB and the Bank be unable to reach agreement on the satisfactory implementation of Bahrain AML Laws in a foreign subsidiary or branch, the Bank licensee may be required by CBB to cease the operations of the subsidiary or branch in the foreign jurisdiction in question.



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4. CUSTOMER IDENTIFICATION - GENERAL PRINCIPLES

4.1 CUSTOMER ACCEPTANCE

In order to establish a relationship or conduct a significant transaction with a customer, the Relationship Manager must complete a "Know Your Customer (KYC) Form" (see Appendix I) within a reasonable timeframe. The completion of the KYC Form is mandatory for Relationship Managers who are responsible for enrolling new customers and should be completed by them in a comprehensive and accurate manner. The KYC Form and the information therein assists the Bank to properly identify its customers and also provides the Bank with relevant financial and background information for each customer. Where necessary or appropriate, such information should be confirmed by independent verification.

The nature, amount and quality of information available from customers can and will vary depending upon, among other factors, the type of customer, the nature and extent of the relationship, the size and type of the transaction, and whether any suspicious indicators are present. Notwithstanding the aforementioned, the following shall be undertaken for each new customer relationship:

Using an approved provider (e.g. Worldcheck or Complanet online service), the Risk Management department should confirm that the prospective customer does not appear on a list of prohibited individuals and entities issued by the United Nations, the European Union, the United States Treasury department's Office of Foreign Assets Control ("OFAC") and the Central Bank of Bahrain; and

An assessment as to whether or not the prospective customer should be categorized as a Politically Exposed Person ("PEP") by applying the definition set forth in section 5.1. Should the prospective customer be designated as a PEP, the Relationship Manager shall undertake enhanced due diligence procedures as described in section 5.1.

If at anytime doubts exist about the legitimacy of a customer or transaction, the Bank's employees are expected to exercise good judgment to make appropriate further inquiries of the customer, and if appropriate, notify the MLRO.

The Bank, its directors, officers and employees must not "tip off", or inform their customers when information relating to them is being reported to the relevant authorities.

4.2 THE NEED TO VERIFY IDENTITY

For each type of customer, certain documentation must be obtained and sufficient information gathered for the Bank to be certain that:

- ▶ We know our new customer, having verified their identity and address and understood the customer's business and the expected level of transactions;
- ▶ The new customer has understood and accepted the Bank's terms and conditions for the account; and
- ▶ We are satisfied that the account holder(s) and their business are legitimate and the Bank is not at risk of financial loss or reputational damage.



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The customer due diligence measures, outlined below, will be required when:

- ▶ Establishing business relations with a new or existing customer;
- ▶ A new signatory or beneficiary to an existing account or business relationship is introduced;
- ▶ A significant transaction with a customer takes place;
- ▶ There is a material change in the way that a business relationship functions;
- ▶ Customer documentation standards change substantially;
- ▶ The Bank has doubts about the veracity or adequacy of previously obtained customer due diligence data;
- ▶ When a one-off or occasional transaction above BD 6,000 takes place or where several smaller transactions that appear to be linked fall above this threshold;
- ▶ When a wire transfer takes place irrespective of the amount; or
- ▶ When there is a suspicion of money laundering or terrorist financing.

4.3 TIMING OF VERIFICATION

The business relationship with a customer must not commence without the prior completion of customer due diligence measures. However, verification of identity may be completed after the receipt of funds, where there is no face-to-face business or where the customer provides the customer due diligence documents subsequent to face-to-face contact. However, no disbursements of funds may take place until the customers due diligence measures have been completed within a reasonable timeframe.

4.4 CUSTOMER DUE DILIGENCE/KNOW YOUR CUSTOMER (KYC) - NATURAL PERSONS

The potential relationship of the customer with the Bank must be clearly established. Before providing financial services of any kind to an individual (i.e. a natural person), the individual must complete the standard account opening form and the Relationship Manager must ensure that the KYC Form is complete and the following information recorded:

- ▶ Full name and any other names used;
- ▶ Full physical address (a P.O Box number is not acceptable);
- ▶ Date and place of birth;
- ▶ Nationality;
- ▶ Passport number;
- ▶ CPR (for Bahrain residents) or any other identity issued by the Government (for GCC residents);
- ▶ Telephone number, fax number and e-mail address;
- ▶ Occupation or public position held;
- ▶ Employer's name and address;



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- ▶ Type of account and nature and level of business relationship with the Bank;
- ▶ Signature of the Relationship Manager; and
- ▶ Source of funds statement.

By signing the KYC Form the Relationship Manager acknowledges that client funds have been generated through legitimate business activities that he or she is not aware of any reasons why the client should be prohibited from dealing with the Bank and that the Relationship_Manager recommends acceptance of this account.

4.5 DOCUMENTATION FOR EVIDENCE OF IDENTITY - NATURAL PERSONS

The Relationship Manager must verify the information specified in section 4.4 “Full name”, “CPR (for Bahrain residents) or any other identity issued by the Government (for GCC residents)” by the following method below; at least one of the copies of the identification documents mentioned in the first two points below must include a clear photograph of the customer:

- ▶ 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);
- ▶ Confirmation of the permanent 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 Bank; and
- ▶ Where appropriate, direct contact with the customer by phone, letter or e-mail to confirm relevant information, such as residential address information.

4.6 CUSTOMER DUE DILIGENCE/KNOW YOUR CUSTOMER (KYC) - LEGAL PERSONS

Before providing financial services of any kind to a legal entity such as a partnership, trust or company, the Relationship Manager will be responsible for completing the standard KYC Form and ensuring that the following information has been obtained:

- ▶ Entity name;
- ▶ Registration number;
- ▶ Legal form;
- ▶ Registered address (and trading address where applicable);
- ▶ Type of business activity;
- ▶ Date and place of incorporation or establishment;
- ▶ Type of account and nature and level of business relationship with the Bank;
- ▶ Telephone, fax, and e-mail address;
- ▶ Regulatory or listing body;
- ▶ Name of external auditor; and
- ▶ Information concerning the source of wealth / income.



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By signing the KYC Form the Relationship Manager acknowledges that client funds have been generated through legitimate business activities that he or she is not aware of any reasons why the client should be prohibited from dealing with the Bank and that the Relationship Manager recommends acceptance of this account.

4.7 DOCUMENTATION FOR EVIDENCE OF IDENTITY - LEGAL PERSONS

The details given in section 4.6 “Entity name” and “Registered Address” must be verified by obtaining certified copies of the following documents:

Public Companies

- ▶ Certificate of Incorporation and/or Certificate of Commercial Registration;
- ▶ Memorandum and Articles of Association;
- ▶ Board resolution seeking banking services;
- ▶ Copies of latest financial reports and accounts, audited where possible;
- ▶ Names, nationality and date of birth of the directors and officers;
- ▶ List of authorized signatories and identification documents of the authorized signatories; and
- ▶ The documentary requirements mentioned above do not apply for companies listed on the stock exchange in GCC/FATF member countries, in which case section 4.13 will apply.

Private or Unlisted Companies

- ▶ Certificate of Incorporation and/or Certificate of Commercial Registration;
- ▶ Memorandum and Articles of Association;
- ▶ Board resolution seeking banking services;
- ▶ Copies of latest financial reports and accounts audited where possible;
- ▶ Names, nationality, country of residence and date of birth of the directors and officers;
- ▶ Identification documents of the directors and officers;
- ▶ Obtain and verify the identity of shareholders holding 20% or more of the issued capital;
- ▶ List of authorized signatories and identification documents of the authorized signatories; and
- ▶ 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 ultimate controller of the funds (if different).

Partnerships

- ▶ Partnership agreement;
- ▶ Partnership registration documents;



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- ▶ Names, nationality, country of residence and date of birth of the partners;
- ▶ Identification documents of the partners; and
- ▶ List of authorized signatories and identification documents of the authorized signatories to operate the account.

Trusts

- ▶ Trust deed;
- ▶ Trust registration documents; and
- ▶ Identification documents of the settler, the trustee and the beneficiaries.

The Bank must also 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 the funds and the ultimate controller of the funds.

The Bank must also ascertain, to the reasonable extent possible, whether the legal entity has been or is in the process of being wound up, dissolved, struck off or terminated.

In addition, the Relationship Manager must also carry out one of the following for all new corporate customers:

- ▶ A visit to the entity; or
- ▶ Contact the entity by phone, mail or e-mail.

In cases where the Bank 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 Customer Due Diligence 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.

4.8 CERTIFYING AUTHORITIES

Any documents used for the purpose of identification verification should be original documents. Where the Bank makes a copy of an original document, the copy should be dated, signed and marked "original sighted" by the concerned Bank official.

Any identity documents which are not obtained directly by an authorized official of the Bank in original form (e.g. due to the customer sending a copy by post following an initial meeting) must be certified and signed by one of the following from a GCC or FATF member state:

- ▶ A registered lawyer;
- ▶ A registered notary;
- ▶ A chartered/certified accountant;
- ▶ A government ministry official;
- ▶ An official of an embassy or consulate; or



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- ▶ An official of another licensee of the CBB.

The individual above making the certification should give clear contact details (e.g. a business card or company stamp). The Bank will verify the identity of the person providing the certification by checking the membership of a professional organization (e.g. for a lawyer or an accountant), or through databases or websites, or directly by phone or email contact.

4.9 COMPLETION OF ACCOUNT OPENING AND CUSTOMER INFORMATION FORMS

Relationship Managers must request that each new customer completes in full the relevant standard forms for new relationships (see Appendix I) and provide the necessary documentary evidence of identity. The Account Opening Form is the minimum requirement to open an account. While in some cases funds may be received first, full customer due diligence procedures must be carried out within forty-five days, following which acceptance will be communicated to the client. If the customer due diligence procedures cannot be completed within forty-five days, the account must be referred to the MLRO, and upon approval from one of them, funds returned to the same account of the client from where they were received.

Except for the receipt of fund mentioned in the section above, the Bank will not provide any other financial service to new customers until sufficient evidence has been obtained that establishes their identity. Further, the identification information on existing customers will be kept up to date.

4.10 REPORTING SUSPICIOUS CIRCUMSTANCES

If there are any suspicious circumstances surrounding the opening or operation of any account, the matter must be reported immediately to the MLRO using the Suspicious Transaction Internal Reporting Form (see Appendix II).

4.11 CUSTOMERS WHO REFUSE TO PROVIDE INFORMATION

If a potential or existing customer either refuses to provide the information when requested, or appears to have intentionally provided misleading information, the Bank must not open a new account and, after considering the risks involved, should consider closing any existing accounts. In either case, the MLRO will be notified so that he/she can determine whether to report the matter to the Head of the Compliance Unit at the CBB.

4.12 FINANCIAL SERVICES TO MINORS

Where financial services are provided to minors, the Relationship Manager will verify the identity of the parent(s) or legal guardian(s), in addition to carrying out the normal due diligence procedures.

4.13 SIMPLIFIED CUSTOMER DUE DILIGENCE MEASURES

Simplified due diligence may be applied in the following circumstances:

- ▶ The customer is the CBB, the Bahrain Stock Exchange, or a licensee of the CBB;



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- ▶ The customer is a Ministry of a GCC or FATF member state government, or a financial institution in which a GCC or FATF Government is a majority shareholder or a company established by decree in the GCC;
- ▶ The customer is a company in which the Government of Bahrain is a majority shareholder or is established by Amiri Decree;
- ▶ The transaction is a one-off transaction, or a series of related transactions, with a value of less than BD 6,000 (or equivalent in other currencies);
- ▶ The customer is a company listed on a GCC or FATF member state stock exchange with equivalent disclosure standards to those of the Bahrain Stock Exchange;
- ▶ The customer is a borrower in a syndicated transaction where the agent bank is a financial institution whose entire operations are subject to AML/CFT requirements consistent with the FATF Recommendations / Special Recommendations and it is supervised by a financial services supervisor in a FATF or GCC member state for compliance with those requirements; or
- ▶ The customer is a financial institution whose:
 - Entire operations are subject to requirements to combat money laundering and terrorist financing consistent with FATF recommendations and is supervised by a financial services supervisor in a FATF member state. In such instances documentary evidence should be obtained and held; and
 - It is a subsidiary of a financial institution where the requirements to combat money laundering and terrorist financing that apply to the parent financial institution also apply to the subsidiary. In such instances written approval from the parent institution should be obtained and held.

For customers falling under the above categories, the customer due diligence information must be obtained, however, the verification and certification requirements may be dispensed with. On simplified due diligence, the Bank must retain documentary evidence supporting their categorization of the customer.

In respect of the above, the Bank shall obtain the customer's full name. The identity of all signatories to the bank account need not be verified if the entity issues official authorized signature lists which the Bank receives. In all other cases full verification of the identity of the signatories to the account must take place.

The Bank will adopt a risk sensitive approach (for details, please refer to section 4.16) to the opening of customer accounts and implement enhanced customer due diligence on corporate customers where a higher risk profile is determined.

For financial institutions covered above, the Bank will obtain documentary evidence such as list of licensees in the concerned country issued by the appropriate regulatory authority (e.g., from its website) as well as evidence of the AML/CFT requirements to support the case for simplified due diligence.

The Bank will use authenticated SWIFT messages as a basis for confirmation of the identity of a financial institution where it is dealing as principal. For subsidiaries, the Bank will obtain a written statement from the parent institution of the concerned



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subsidiary confirming that the subsidiary falls under the same AML/CFT provisions as the parent.

However, the MLRO will satisfy himself appropriately that the customer falls under the aforementioned categories and will record the basis upon which he/she is so satisfied.

The exceptions granted above shall not apply where the Bank knows or suspects, or has reason to suspect, that the applicant is engaged in money laundering or the financing of terrorism or that the transaction is carried out on behalf of another person engaged in money laundering or the financing of terrorism.

4.14 SUSPICIOUS ACCOUNTS WATCH LIST

The Bank will adhere to CBB requests and recommendations in dealings with persons whose names are contained in its Suspicious Accounts Watch List.

4.15 SHELL BANKS

The Bank will not establish any business relationship with banks which have no physical presence or whose management is not present in the jurisdiction in which they are licensed, otherwise known as 'shell banks'. In addition, the Bank will not establish relationships with any banks that are known to have relations with shell banks.

The Bank must make a suspicious transaction report to the Anti-Money Laundering Unit and the Compliance Unit if they are approached by a shell bank or an institution they suspect of being a shell bank.

4.16 RISK SENSITIVE CUSTOMER DUE DILIGENCE

Customer due diligence must be performed based on the categorization of customers according to perceived risk. For example:

Low Risk Entities - These customers can be those whose identity and source of wealth can be easily identified and those who have the KYC procedures in place.

Medium Risk Entities - These customers will include (a) Non-Resident Customers (b) High Net Worth Individuals categorized on the basis of the customer's back ground, nature and location of activity, country of origin, sources of funds and customer profile.

High Risk Entities - These customers will include (a) firms with silent partners, (b) politically exposed persons of foreign origin, (c) non face to face customers and (d) person with doubtful reputation as per public information available.

The Relationship Manager should perform enhanced due diligence on customers identified as having a "higher risk profile" after initial assessment. Determining whether a customer has a "higher risk profile" requires the exercise of judgment by the Bank's officials. The following list is indicative of the type of customers that may fall within this category:

- ▶ Reluctance to provide information or providing minimal information;



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- ▶ Non face-to-face business and the use of new technologies, such as the internet or telephone banking;
- ▶ Pooled funds;
- ▶ Cross border transactions equal to and above BD 6,000 by courier;
- ▶ Correspondent banking relationships;
- ▶ The use of unusual or suspicious identification that cannot be readily verified;
- ▶ Non-governmental organizations (e.g. charitable organizations and religious, sporting, social, cooperative and professional societies);
- ▶ Offshore corporations, bearer share corporations and banks located in tax and/or secrecy havens and jurisdictions designated as non-cooperative in the fight against money laundering.

Enhanced due diligence must be performed on such customers identified as having a higher risk profile. These enhanced measures may include:

- ▶ Evidence of a person's permanent address;
- ▶ Personal reference (e.g. by an existing customer of the Bank);
- ▶ Prior bank's reference;
- ▶ Documentation outlining the customers existing source of wealth;
- ▶ Documentation outlining the customer's source of income; and
- ▶ Independent verification of employment or public position held.

Full details of the Bank's enhanced customer due diligence policies and procedures can be found in section 5.



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5. CUSTOMER IDENTIFICATION - SPECIAL CIRCUMSTANCES

5.1 POLITICALLY EXPOSED PERSONS (“PEPS”)

Persons commonly referred to as “Politically Exposed Persons” (PEPs) are individuals who have been entrusted with prominent public functions and include heads of state, ministers, influential public officials, judges and military commanders. PEPs should be identified at the time of opening the account relationship and on a periodic basis. Publicly available information should be used to establish whether a customer is a PEP. The approval of the relevant Relationship Manager, Head of Risk Management and MLRO must be obtained for establishing business relationships with such customers.

Where an existing customer is a PEP, enhanced monitoring and customer due diligence measures should be carried out which include:

- ▶ Analysis of complex financial structures, including trusts, foundations or international business corporations;
- ▶ A written record in the customer file to establish that reasonable measures have been taken to establish both the source of wealth and source of funds;
- ▶ Development of a profile of anticipated account activity to be used in ongoing account monitoring;
- ▶ Approval of senior management for allowing the customer relationship to continue; and
- ▶ Ongoing account monitoring of the PEPs account should be performed by the relevant MLRO on a regular basis.

5.2 CHARITIES, CLUBS AND OTHER SOCIETIES

Accounts must not be opened for charitable funds and religious, sporting, social, cooperative and professional societies until an original certificate authenticated by the relevant Ministry confirming their identities and authorizing them to open an account has been obtained. Further, for clubs and societies registered with the Bahrain General Organization for Youth and Sports (GOYS), written confirmation should be obtained as to whether the account can be opened. Charities should be subject to enhanced transaction monitoring by the Bank. The Bank should develop a profile of anticipated account activity (in terms of payee countries and recipient organisations in particular).

All transfers of BD 3,000 or above from accounts held by charities registered in Bahrain must be reported to the CBB’s Compliance Directorate giving details of the amount transferred, account name, number and bank details. The Bank must ensure that such transfers are in accordance with the spending plans of the charity (in terms of amount, recipient and country). The Bank may not accept or process any incoming or outgoing wire transfers from or to any foreign country on behalf of charity and non-profit organizations licensed by the Ministry of Social Development until an official letter by the Ministry of Social Development authorizing the receipt or remittance of the funds has been obtained by the Bank.



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5.3 VERIFICATION OF IDENTITY OF ULTIMATE BENEFICIARY

A signed statement must be obtained from all new customers confirming whether or not the customer is acting on their own behalf or not. This undertaking must be obtained as part of the account opening form.

The identity of the customer and, where applicable, the party or parties on whose behalf the customer is acting must be established and verified. Where a customer is acting on behalf of third parties, the Relationship Manager must obtain a signed statement from the beneficial owner that he/they are the ultimate beneficiary(ies) of the account/facility and have given authority to the customer to act on their behalf.

5.4 ANONYMOUS AND NOMINEE ACCOUNTS

Anonymous accounts or accounts in fictitious names must not be established or maintained. In addition, nominee accounts, which are controlled by or held for the benefit of another person, whose identity has not been disclosed, must not be established or maintained.

5.5 TRUSTS, LEGAL ARRANGEMENTS AND POWERS OF ATTORNEY

In the case of a Trust, the Relationship Manager, in addition to verifying identity of the trustees and signatories, must also:

- ▶ Make appropriate enquiry as to the general nature of the trust (e.g. family trust, pension trust) and the source of funds;
- ▶ Obtain identification evidence for the settlor(s), i.e. the person(s) whose property was settled on trust; and
- ▶ In the case of a nominee relationship, obtain identification evidence for the beneficial owner(s) if different to the settlor(s).

Where a person gives a power of attorney to a third party to perform certain activities on his/her behalf, the Relationship Manager will verify the identity of both the individual and those who are authorized to perform activities on their behalf. The Relationship Manager must also sight the original power of attorney and file a certified copy for record.

Where a legal entity authorizes another person to perform an activity on its behalf, the Relationship Manager must sight the original board resolution and file a certified copy for record.

5.6 NON FACE-TO-FACE BUSINESS AND NEW TECHNOLOGIES

Where no face-to-face contact takes place, the Bank must take additional measures in order to mitigate the potentially higher risk associated with such business. In particular, the Bank must take measures:

- ▶ To ensure that the customer is the person they claim to be; and
- ▶ To ensure that the address provided is genuinely the customers.
- ▶ The following checks can assist the Bank verify the authenticity of the applicant:



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- Telephone contact with the applicant on an independently verified home or business number;
- With the applicant's consent, contact with their employer to confirm employment; or
- Evidence of salary details appearing on bank statements.

Financial services provided via post, telephone or internet pose greater challenges for customer identification and AML/CFT purposes. Any electronic or internet banking initiatives should incorporate procedures to enable the Bank to highlight and report unusual transactions.

The Bank does not offer any kind of non face-to-face business and new technologies services to any third party. As such, the Bank is not exposed to the risks associated with performing due diligence on non face-to-face business and new technologies. The Bank must also ensure compliance with any E-commerce laws and CBB regulations issued from time to time.

5.7 POOLED FUNDS

Where the Bank receives pooled funds from professional intermediaries, such as investment and pension fund managers, stockbrokers and lawyers or authorised money transferors, the Relationship Manager must verify the identity of the intermediary.

Where the funds are not co-mingled (i.e. there are individual sub-accounts attributable to each beneficiary), the Relationship Manager must also verify the identity of each beneficial owner.

If funds are co-mingled, the Relationship Manager must make reasonable efforts to look beyond the intermediary and determine the identity of the beneficial owners, particularly where funds are banked and then transferred onward to other financial institutions.

If, however, the intermediary is subject to regulations equivalent to those applied by the CBB, the Relationship Manager need only confirm that customer due diligence process is in line with the CBB requirements.

If the intermediary is based in a foreign jurisdiction, the Bank must obtain documentary evidence that they are subject to AML and CFT requirements consistent with the FATF 40+9 Recommendations and that the intermediary is supervised for compliance with those regulations. The Bank must also obtain evidence that the intermediary has identified the underlying beneficiaries and that it has systems and controls in place to allocate assets to individual beneficiaries.

5.8 CROSS BORDER CASH TRANSACTION EQUAL TO AND ABOVE BD 6,000 BY COURIER

The cross-border movement of cash funds warrants special attention under the FATF 40 Recommendations where transactions are large in value (Recommendation 6), in addition to the general requirement under Recommendation 19 to verify monitor, declare and keep records of all cross-border transfers of cash. Cash shipments are therefore subject to inspection and investigation procedures by the Customs



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Directorate of the Kingdom of Bahrain. Under Article 4 of Decree Law No. 4 of 2001, the Bank is required to comply with the CBB's Rules and Regulations concerning the prevention and prohibition of money laundering, which include regulations concerning the cross-border movement of cash. Also, the Bank's attention is drawn to the disclosure provisions of Decree Law No 54 of 2006 and Ministerial Order No 6 of 2008 with respect to cross-border transportation of funds. The Bank is also reminded of the rules of the unified customs arrangements of the Gulf Cooperation Council as laid out in Decree Law No 10 of 2002. With respect to the above Law No. 4 of 2001 and the concerned parts of other legislation mentioned above, all money changers must implement the enhanced measures below in respect of all cash received from foreign countries or sold/transferred to foreign countries.

Cash amounts equal to and above the BD6,000 (or its equivalent in foreign currency) threshold coming into Bahrain via courier (whether a representative of a Bahrain money changer or a foreign institution) must be accompanied by original documentation stating the source of funds and identity of the originator of the funds. Furthermore, the documentation must state the full name and address of the beneficiary of the funds. This documentation must be signed in original by (a representative) of the originator of the cash. This means that where a courier is importing cash amounts above BD6,000 via any customs point of entry (e.g. via the Causeway or the Airport), the aforementioned courier must carry original documentation which clearly shows the source of funds and identity of the originator of the funds and the intended beneficiaries' names and address.

In the case of incoming cash, the courier must carry original documentation signed by the originator stating whether the cash shipment is for local use or for onward transmission.



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6. ONGOING CUSTOMER DUE DILIGENCE AND MONITORING

While the initial customer review is critical for implementing this policy, continued customer monitoring and review is equally important. Employees are expected to dutifully maintain and update customer identification records when there are material changes.

The Bank will review the customer due diligence information on existing customers at least every three years. When an existing customer closes one account and opens another, the Bank will review the customer identity information and update its records accordingly. In the case of information more than 12 months out of date or missing data, this will be obtained and re-verified with the customer.

The Risk Management department shall maintain procedures to perform frequent and periodic scanning, at least annually, of the Bank's existing customers against current lists of prohibited individuals and entities issued by the CBB, the United Nations, OFAC, the Central Bank of Bahrain or any other such similar list issued by a member jurisdiction of the FATF.



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7. TRANSACTIONS THROUGH CORRESPONDENT RELATIONSHIPS

The Head of Treasury must ensure that normal customer due diligence measures are carried out on respondent banks and that the Bank has sufficient information about the respondent to fully understand its business.

The Head of Treasury collects the following information before the Bank enters into any correspondent banking relationship:

- ▶ Information on the respondent's ownership structure and management;
- ▶ Major business activities of the respondent and its location as well as the location of its parent (where applicable);
- ▶ Where the customers of the respondent bank are located;
- ▶ Money laundering prevention and detection controls;
- ▶ Purpose of the account;
- ▶ The extent to which the respondent performs ongoing due diligence on customers and the condition of regulation and supervision in the respondent's country;
- ▶ Confirmation that the respondent bank has verified the identity of any third party entities that will have direct access to the correspondent banking services without reference to the respondent bank (e.g. in the case of "payable through" accounts);
- ▶ Confirmation that the respondent bank is able to provide relevant customer identification data on request to the correspondent bank; and
- ▶ Investigations into whether the respondent bank has been subject to a money laundering or terrorist financing investigation.

Further, the Head of Treasury must ensure that, prior to opening a correspondent banking relationship:

- ▶ There is a signed document approved by the Chief Executive Officer or his designate, outlining the respective responsibilities of each institution;
- ▶ The establishment of the correspondent banking relationship has the approval of the senior management; and
- ▶ A correspondent relationship has not been entered into or maintained with a bank incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated financial group (i.e. shell bank) and
- ▶ Due diligence is performed for respondent bank by completing the Correspondent Banking Anti Money Laundering Due Diligence Questionnaire, attached as Appendix V.



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8. INTRODUCED BUSINESS FROM PROFESSIONAL INTERMEDIARIES

There may be circumstances where obtaining customer due diligence evidence is an unnecessary duplication of effort. In such circumstances, the Bank may decide to rely on the procedures undertaken by other banks or introducers when the business is being referred.

Reliance placed on the due diligence undertaken by an introducer, however, does not remove the ultimate responsibility of the Bank to know its customers and their business. The Bank may, therefore, rely on the performance of customer due diligence in whole or in part by another financial institution (including an affiliate) or intermediaries. This applies to any customer that is opening an account or has established an account or similar business relationship with the other financial institution to provide or engage in services, dealings or other financial transactions.

Introducers may be relied upon in the following circumstances:

- ▶ The customer due diligence measures applied by the introducer are consistent with those required by the FATF 40+9 Recommendations;
- ▶ A formal agreement is in place defining the respective roles of the Bank and the introducer in relation to customer due diligence procedures and the agreement specifies that the customer due diligence measures of the introducer will comply with the FATF 40+9 Recommendations;
- ▶ The introducer is able to provide all relevant data pertaining to the customer's identity, the beneficial owner of the funds and, where applicable, the party or parties on whose behalf the customer is acting;
- ▶ The introducer has confirmed that the Bank will be allowed to verify the customer due diligence measures undertaken by the introducer at any stage; and
- ▶ Written confirmation is provided by the introducer confirming that all customer due diligence measures required by the FATF 40+9 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 Bank and that these documents will be kept for at least five years after the business relationship has ended.

In the event that the Bank is not satisfied that the introducer has taken adequate and appropriate steps to identify the customer, the Bank shall perform the customer due diligence measures itself or not commence or continue the relationship.

The Bank shall also perform periodic reviews to ensure that any introducer it relies upon continues to comply with appropriate customer due diligence measures.

The decision to use due diligence undertaken by other banks or introducers when the business is being referred must be approved by the MLRO.



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9. MONEY TRANSFERS

9.1 INCOMING WIRE TRANSFERS

Bank Operations will carefully scrutinize incoming wire transfers that do not include complete originator information, i.e.

- ▶ The name of the payer;
- ▶ The address of the payer; and
- ▶ The account number or unique customer identification number of the payer.

Should Bank Operations be unable to obtain promptly any missing Originator Information from the remitting institution, then details of the wire transfer shall be summarized and forwarded immediately to the MLRO for further action as a possible suspicious transaction, which may be reported to the CBB.

To facilitate the monitoring of all incoming and outgoing client wire transfers, Risk Management should provide a confirmation to Operations that the client is not recorded on the list of prohibited entities. This confirmation must be received by Operations prior to the payment or receipt of funds.

In case of inward transfers the Bank will:

- ▶ Maintain records of all originator information received with an inward transfer;
- ▶ Carefully scrutinize inward transfers, which do not contain originator information. If originator information is not present the funds will be returned to the sending institution in consultation with the Relationship Manager and MLRO and these transactions will be deemed to be suspicious and should be passed on to the MLRO for determination as to possible filing of an STR unless:
 - The sending institution is able to provide the information within two business days; and
 - The sending institution and the Bank are acting as principals.

9.2 OUTGOING WIRE TRANSFERS

Bank Operations will ensure that all outgoing wire transfers include details of originator information, i.e.:

- ▶ The name of the payer;
- ▶ The address of the payer; and
- ▶ The account number or unique customer identification number of the payer.

When the Bank transfers funds using an Authorized Money Transfer to a customer or a person or organization in another country, records must be maintained of:

- ▶ The identity of the customer(s); and
- ▶ The exact amount transferred for each customer.

In addition, the Bank will return any money transferred inadvertently, back to the same account from which it was transferred in.



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The Bank will not transfer funds for customers to a person or organization in another country by any means other than through an Authorized Money Transferor.

9.3. REMITTANCES ON BEHALF OF OTHER MONEY TRANSFERORS

When an Authorized Money Transferor is used to affect the transfer of funds for a customer to a person or organization in another country, the Bank must, in respect of the amount transferred, maintain records of:

- ▶ The identity of the customer(s); and
- ▶ The exact amount transferred for each such customer (particularly where a single transfer is affected for more than one customer).

The Bank will ensure that this information is readily available for inspection immediately upon the CBB's request.

9.4. MONEY TRANSFERS BY UNAUTHORISED PERSONS

The Bank will not transfer funds for customers to a person or organization in another country by any means other than through an Authorized Money Transferor.



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10. MONITORING ACCOUNTS FOR SUSPICIOUS ACTIVITY

Where a transaction is inconsistent in amount, origin, destination or type with a customer's known legitimate business or personal activities, the transaction must be considered unusual and the employee put on alert.

Activities that should put the employee on alert may be recognizable as falling into one or more of the following categories. This list is not meant to be exhaustive:

- ▶ Cash transactions;
- ▶ Pass-through or "in and out" transactions;
- ▶ Transactions with entities which are not reasonably believed to have comprehensive customer due diligence and AML policies;
- ▶ Transactions with entities which are incorporated in or have their primary place of business in countries which have inadequate AML laws (specifically, countries that are not members of, or not affiliated with, the Financial Action Task Force);
- ▶ Any unusual financial activity of the customer in the context of his own usual activities;
- ▶ Any unusual transaction in the course of some usual financial activity;
- ▶ Any unusually linked transactions;
- ▶ Any unusual employment of an intermediary in the course of some usual transaction or financial activity;
- ▶ Any unusual method of settlement;
- ▶ Any unusual or disadvantageous early redemption of an investment product; and
- ▶ Any unwillingness by the customer to provide the information requested.

Where an employee conducts enquiries and obtains what he/she considers to be a satisfactory explanation of the unusual activity, he/she may conclude that there are no grounds for suspicion, and therefore take no further action.

10.1. RISK MANAGEMENT PROCEDURES AND ONGOING TRANSACTIONS MONITORING

The Bank will develop and maintain a risk-based system taking into account the number of its customers, transactions and complexity of its business.

In the absence of a risk-based monitoring system (For details, please refer to section 4.16), 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 Bank employee.



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11. REPORTING SUSPICIONS

11.1 OVERVIEW

All reports of suspicious activity must be sent directly to the MLRO, and only the MLRO has the authority to determine whether a disclosure to the respective Reporting Authorities, in accordance with these policies and guidelines, is appropriate. The CBB has issued guidelines for detection of suspicious transactions, which are available on http://cbb.complinet.com/file_store/pdf/rulebooks/AppenFC3.pdf

There are four stages to the Bank's suspicious transaction reporting procedure:

- ▶ It is the duty of every member of management and staff to report any suspicious transactions to the MLRO;
- ▶ All internal Suspicious Transaction Reports must reach the MLRO and must not be blocked;
- ▶ The MLRO will investigate the report and will decide on the basis of all available information and additional enquiries whether or not the transaction or instruction remains suspicious or whether there is some additional information that removes the suspicion; and
- ▶ If the MLRO considers the suspicion to be justified, he will prepare a report for the Anti-Money Laundering Unit and the CBB using the Suspicious Transaction Report Form - MLRO (Please refer to Appendix II). The Internal Report Form will remain on file within the Bank and will not be passed to the Anti-Money Laundering Unit and the CBB. The name of the individual member of staff who made the report will not be revealed.

11.2 INTERNAL REPORTING - RESPONDING TO RED FLAGS AND SUSPICIOUS ACTIVITY

Staff with any suspicion must report this immediately on the Suspicious Transaction Internal Report Form, a copy of which is included in Appendix II.

It is important that the reason for the suspicion is explained fully. It is also of critical importance that such suspicions must not be discussed with anyone outside the Bank. Care must be taken in discussing a suspicion, even with other colleagues. If it is considered appropriate, then discussions must only be held with the MLRO.

Under no circumstances whatsoever should the employee or the Relationship Manager alert (i.e. "tip off") the customer that a report of suspicious activity has been initiated as this may constitute a criminal offence if the disclosure to the customer were to prejudice a subsequent investigation by the CBB or the Cayman Islands Monetary Authority.

All reports of suspicious activity must reach the MLRO, and only the MLRO has the authority to determine whether making a disclosure to the reporting authorities is appropriate. However, the Relationship Manager is permitted to add comments to the employee's suspicion report indicating any evidence as to why he/she believes the suspicion not to be justified.



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11.3 EXTERNAL REPORTING BY THE MLRO

The MLRO will, upon receipt of a report concerning a suspicious customer or activity, determine whether the information contained in such report supports the suspicion. In this regard the MLRO should review the account opening records and historical transaction patterns and may also wish to discuss the report with members of staff and management.

The MLRO will document his enquiries. If he has reason to suspect that a person has been engaged in money laundering this should be reported promptly to the reporting authorities using the Suspicious Transaction Report Form attached as Appendix III. The MLRO will send his report to the Anti-Money Laundering Unit of the Ministry of Interior and the CBB's Compliance Directorate at the following addresses:

Anti-Money Laundering Unit

General Directorate of Criminal Investigation
Ministry of Interior
P.O. Box 26698
Manama, Kingdom of Bahrain
Telephone: 17 718888
Fax: 17 715818
Email: aeed@batelco.com.bh or amlu@batelco.com.bh

Director of Compliance Directorate

Central Bank of Bahrain
P.O.Box 27
Manama, Kingdom of Bahrain
Telephone: 17 547107
Fax: 17 535673
Email: Compliance@cbb.gov.bh

If the MLRO decides that the information does not substantiate a suspicion, he will record the reasons for deciding not to report to the respective reporting authorities in the MLRO Suspicion Evaluation Record (Please refer to Appendix IV).

11.4 CONFIDENTIALITY OF SUSPICIOUS TRANSACTION REPORTS

Once a report has been made to the MLRO, all officers and employees of the Bank are prohibited from:

- ▶ Communicating directly or indirectly, in any manner or by any means to any person, the fact that the suspicious transaction report was made ('tipping off'); and
- ▶ Allowing publication or airing by the media, electronic mail or other similar devices in any manner or form the fact that a suspicious transaction was made.



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12. COMBATING THE FINANCING OF TERRORISM

The Bank must give special attention to any dealings they may have with entities or persons domiciled in countries or territories which are:

- ▶ Identified by the FATF as being “non cooperative”; or
- ▶ Notified to the Bank from time to time by the CBB.

Whenever transactions with such parties have no apparent economic or visible lawful purpose, their background and purpose must be re-examined and the findings documented.

If suspicions remain about the transaction, these must be reported to the reporting authorities.

The Bank must comply in full with the provisions of the UN Security Council Resolution No. 1373 of 2001 (‘UNSCR 1373’). If the Bank wishes, intends or has been requested to do anything that might contravene, in its reasonable opinion, the provisions of UNSCR 1373 must seek in writing, the prior written opinion of the CBB on the matter.

12.1 DESIGNATED PERSONS AND ENTITIES

The CBB, from time to time, issues a list of designated persons and entities believed to be linked to terrorism. The Bank is required to verify that they have no dealings with these designated persons and entities, and report back their findings to the CBB.

Names designated by the CBB include persons and entities designated by the United Nations, under UN Security Council Resolution 1267 (“UNSCR 1267”).

The Bank must 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 CBB.



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13. RECORD KEEPING

13.1 DOCUMENT RETENTION

The Bank will keep adequate records and identification documents for the following specific periods:

- ▶ For account holders, in relation to evidence of identity and business relationship records, five years from the end of the Bank's relationship with the customer; and
- ▶ For transactions with account holders and non-account holders, transaction documents will be maintained for five years from the date when the transaction was completed.

All documents pertaining to customers must be retained for five years after the termination of relationship with such customer.

In addition, the following documents will be maintained for at least five years:

- ▶ Dates when AML training was provided, the nature of the training and the names of the staff who received the training;
- ▶ Reports made to, or by, the MLRO and records of consideration of those reports and any action taken as a consequence; and
- ▶ Compliance reports by the auditors.

All records must be available for prompt and swift access by the relevant authorities, when required.



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14. EDUCATION AND TRAINING

The Bank will provide appropriate training to all employees. Such training will focus on:

- ▶ The identification and prevention of money laundering;
- ▶ Follow-up procedures for unusual or suspicious activities;
- ▶ Material changes in the applicable customer due diligence laws and regulations;
- ▶ Their responsibilities under the AML/CFT laws and regulations;
- ▶ The identity and responsibility of the MLRO;
- ▶ The current AML/CFT policies and procedures;
- ▶ Money laundering and terrorist financing typologies and trends;
- ▶ The type of customer activity or transaction that may justify an internal suspicious transaction report;
- ▶ The potential effect on the Bank, its employees and customers, of any breach of the AML Law or the AML/CFT Regulations;
- ▶ The procedures for making an internal suspicious transaction report; and
- ▶ Customer due diligence measures with respect to establishing new business relationships with customers.

The MLRO will be responsible for coordinating the necessary training and will maintain records of training courses and those employees who attend training.

The Bank is required to document and provide information to the CBB, when requested, that all relevant members of staff have received training on the matters listed above and that this training remains available to all relevant staff for so long as they work for the Bank.

The Bank is to provide up-to-date AML training for staff that is appropriate to the Bank's activities and its differing types of customers. Preferably, the AML training should be given to all staff on an annual basis. All staff must be given AML training within three months of joining the Bank.



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15. ANNUAL COMPLIANCE REPORT

The Bank will instruct suitable auditors to conduct a comprehensive annual review of the effectiveness of its AML controls and procedures at least once every year.

The scope of the review should include:

- ▶ A report indicating the number of internal reports made in accordance with the CBB's regulations, including an analytical breakdown of all the results of those internal reports and their outcomes and whether controls, procedures or training need to be enhanced;
- ▶ A report which indicates the number of external reports made in accordance with the CBB's regulations. The MLRO should ensure that where an internal report has been made without an external report, a justification is provided;
- ▶ A sample test of compliance with customer due diligence measures; and
- ▶ A statement as to the quality of the Bank's AML procedures, systems and controls.

The above information shall be submitted to senior management for review and for action to remedy deficiencies identified by the reports.

The internal and external report must be made by the MLRO. The sample testing of compliance with customer due diligence required must be undertaken by the Bank's internal audit function or its external auditors and a statement as to the quality of the Bank's AML controls and procedures must be made by the Bank's external auditors.

The CBB requires that the Bank instructs its external auditors to conduct the above annual review and report. The report must be submitted to the CBB by the 30th April of the following year.



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16. NON-COMPLIANCE REPORTING

Employees shall report any violations of the Bank's anti-money laundering compliance program to the MLRO. Such reports shall be confidential, and the employee shall suffer no retaliation for making them.



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17. ACKNOWLEDGEMENT

I acknowledge that I have read and understood the provisions of the Bank's Anti-Money Laundering Policy and Procedure's Manual.

Name of Employee:

Date:



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APPENDIX I - KNOW YOUR CUSTOMER

1.	Full Name/Names Used _____ Joint A/C Name (if applicable) If joint A/C, state relationship i.e. husband/wife/other _____
2.	Full Physical Address _____ (P.O Box not acceptable) _____
3.	Purpose of Account _____
4.	Telephone Number _____ Fax Number _____ Email Address _____
5.	Type of account and nature and level of business Relationship with the bank _____
6.	Source of Funds _____
7.	How was the client introduced to Al Baraka Islamic Bank _____
8.	Estimated Investment Capability through Al Baraka Islamic Bank _____
9.	Other Institutions with which client invests with _____

- Section A - For INDIVIDUALS
- Section B - For CORPORATES
- Section C - For PARTNERSHIPS
- Section D - For ALL CLIENTS



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Date: التاريخ:

Customer's Name / Names: اسم العميل/العملاء:

Full Physical Address: العنوان:

رقم الهاتف: رقم الفاكس: البريد الإلكتروني:
Tel. No. Fax No. Email Address

Purpose of account: الغرض من الحساب:

Type of account and level: نوع الحساب ومستوى علاقة العمل المتوقعة مع لبنك:

Of business estimate relationship with the Bank

Date and Place of Birth: تاريخ ومحل الولادة:

Nationality: الجنسية:

Passport Number: رقم جواز السفر / الحفيظة:

CRP / Government issued ID card: رقم البطاقة السكانية / الشخصية:

Employment: المستخدم:

a. If owner - Company Name & Address: أ- خاص - اسم الشركة والعنوان

b. if employee - Company Name & Address: ب- موظف - اسم الشركة والعنوان

Acting on own account or on behalf of others: صاحب الحساب أو من ينوب عنه:

Account Number: رقم الحساب:

Type of Customer: نوع العميل: قاصر / معاق Minor / Handy Capped Individual فرد

How long have you resided at this address مدة الإقامة في العنوان الحالي

Source of Income: مصدر الدخل:

Monthly Income: الدخل الشهري:

Anticipated Income: دخل مستقبلي متوقع:

Type of Banks Dealing with: نوع البنوك التي تتعامل معها

Offshore أفشور Commercial تجارية Conventional تقليدية إسلامية Islamic

Your present Bankers ما هي البنوك التي تتعامل معها حالياً

Do you make transfers abroad? هل تقوم بتحويل أموال إلى بلدان أخرى؟

No لا Yes نعم

لاستعمال إدارة البنك

Signature

التوقيع

اسم مسئول الحساب

Customer Relationship

For Bank use only



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SECTION A - INDIVIDUALS

Date: التاريخ:

Customer's Name/Names:..... اسم العميل/العملاء:

Full Physical Address:..... العنوان:

..... رقم الهاتف: رقم الفاكس: البريد الالكتروني:
Tel. No. Fax No. Email Address

Purpose of account:..... الغرض من الحساب:
..... نوع الحساب ومستوى علاقة العمل المتوقعة مع لبنك:

Type of account and level of business estimate relationship with the Bank

Date and Place of Birth:..... تاريخ ومحل الولادة:.....

Nationality:..... الجنسية:

Passport Number:..... رقم جواز السفر / الحفيظة:.....

CRP / Government issued ID card:..... رقم البطاقة السكانية / الشخصية:.....

Employment:..... المستخدم:

a. If owner - Company Name & Address..... أ- خاص - اسم الشركة والعنوان

b. if employee - Company Name & Address..... ب- موظف - اسم الشركة والعنوان

Acting on own account or on behalf of others:..... صاحب الحساب أو من ينوب عنه:.....

Account Number:..... رقم الحساب:

Type of Customer: Minor / Handy Capped قاصر / معاق Individual فرد نوع العميل:

How long have you resided at this address..... مدة الإقامة في العنوان الحالي:.....

Source of Income:..... مصدر الدخل:

Monthly Income: الدخل الشهري:

Anticipated Income:..... دخل مستقبلي متوقع:

Type of Banks Dealing with: نوع البنوك التي تتعامل معها

Offshore أفشور Commercial تجارية Conventional تقليدية Islamic إسلامية

Your present Bankers ما هي البنوك التي تتعامل معها حالياً

Do you make transfers abroad? هل تقوم بتحويل أموال إلى بلدان أخرى؟

No لا Yes نعم

For Bank use only لاستعمال إدارة البنك

Signature التوقيع Customer Relationship اسم مسئول الحساب

.....



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SECTION B - CORPORATES

Date:..... التاريخ:.....

Entity Name:..... اسم الكيان:.....

Purpose of account:..... الغرض من الحساب:.....

..... رقم الهاتف:..... رقم الفاكس:..... البريد الإلكتروني:.....

..... Email Address Fax No. Tel. No.

Place of Business (Street Address):..... مكان النشاط (عنوان الشارع):.....

Line of Business نوع النشاط

.....

Account Number:..... رقم الحساب:.....

Type of Entity: Sole Proprietorship شركة فردية Corporate مؤسسة
Partnership شراكة Company شركة

Commercial Registration No.:..... رقم السجل التجاري:.....

Regulatory body:..... الجهة المسؤولة لإصدار التراخيص:.....

Date and Place of Incorporation:..... تاريخ ومحل تأسيس الشركة:.....

Nationality and Date of Birth:..... الجنسية وتاريخ التأسيس:.....

Registered office address:..... عنوان المكتب المسجل:.....

.....

Names of Principal Beneficial Owners:..... ملاك المؤسسة:.....

Source of Funds used to make Investment مصدر الأموال المستخدمة في الاستثمار

.....

Anticipated Income:..... دخل مستقبلي متوقع:.....

List the names of Directors in the Entity: أسماء إداريي الكيان:

.....

.....

Name of External Auditors:..... اسم المدققين الخارجيين:.....

Type of Banks Dealing with: نوع البنوك التي تتعامل معها:

Offshore أفسور Commercial تجارية Conventional تقليدية Islamic إسلامية

Your present Bankers ما هي البنوك التي تتعامل معها حالياً

.....

For Bank use only	لاستعمال إدارة البنك
-------------------	----------------------

Signature	التوقيع	Customer Relationship	اسم مسئول الحساب
.....

Type of Business: نوع النشاط:

Number of years in Business:..... عدد السنين في النشاط:

Key parents, Subsidiaries or Affiliates:..... الشركة الأم والشركات التابعة والزميلة لها:



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SECTION C - PARTNERSHIPS

1.	Nationality of Partners _____
2.	Date of Birth of Partners _____
3.	Copy of latest financial statements (where appropriate) Yes <input type="checkbox"/> No <input type="checkbox"/>
4.	Are there any Powers of Attorney that Relate to the Company's Account Yes <input type="checkbox"/> No <input type="checkbox"/> If yes; obtain copy(s) and append Copy Appended <input type="checkbox"/>
5.	Documentary Evidence Certified copy attached (i) Partnership Agreement <input type="checkbox"/> (ii) Partnership Registration Documents <input type="checkbox"/> (iii) Identification Documents of the Partners <input type="checkbox"/> (iv) List of Authorized Signatories <input type="checkbox"/> (v) Identification Documents of the Authorized Signatories to <input type="checkbox"/>
6.	Regulatory Body _____
7.	Name of External Auditor _____
8.	Acting on own account or on behalf of others Own Account <input type="checkbox"/> For Others <input type="checkbox"/> If others, name them and verify identity Name of person(s) for whom client is acting _____ Identity Verified Yes <input type="checkbox"/> No <input type="checkbox"/>

- Relationship Manager must certify the copy of OID's stating, "This is a certified true copy of original form of identification which I have sighted." Or certifying authorities are - GCC or FATF Member - A Lawyer - A Notary - A Chartered Accountant - Official of a Government Ministry - Official of an Embassy - Official of Licensed Financial Institutions.



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SECTION D - ALL CLIENTS

1.	<p>Confirmation of Information</p> <p>Visit to client office <input type="checkbox"/> Date _____</p> <p>Visit to client home <input type="checkbox"/> Date _____</p> <p>Reference check <input type="checkbox"/> Date _____</p> <p>With whom _____</p> <p>Database or Directory search <input type="checkbox"/> Date _____</p> <p>Other _____</p>
2.	<p>Declaration: To the best of my knowledge, client funds have been generated through legitimate business activities. I am not aware of any reason why this client should be prohibited and recommend acceptance of this account.</p> <p>Signature _____ Date _____</p> <p>Name _____</p>
3.	<p>Reviewed and Approved</p> <p>Signature _____ Date _____</p> <p>Manager Name _____</p>



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APPENDIX II - SUSPICIOUS TRANSACTION - INTERNAL REPORTING FORM

REPORTER:

Name: Tel:

Position:

CUSTOMER:

Name: Account No:

Address:

.....

Contact Name:Contact Tel:

Date Relationship started:Customer reference:

Type of Account/Business:

INFORMATION/SUSPICION:

Information/Transaction:

Reason for suspicion:

.....

Additional comments

.....

.....

Date:

Note: It is an offence to advise the customer/client or anyone else of your suspicion and report.

MLRO USE:

Date received:Time received:Ref:

Enforcement unit advised?Yes/No Date:Ref



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APPENDIX III - SUSPICIOUS TRANSACTION - EXTERNAL REPORTING FORM

Full Name of Customer	Date of Birth	Occupation

Passport No.	Government issued identity card	⁽¹⁾ Registration No.	Type of Activity	Nationality

Address and Telephone Number	Employer's name and address	⁽¹⁾ Address in Country of Incorporation (If different)

Type and Number of Account	Amounts of Transactions		Details of transferee bank accounts and beneficiaries
	Original Currency	BD	

⁽²⁾ Type of Transaction

Source of Suspicion

Name and Signature of MLRO or his delegate:

Date:

⁽¹⁾ In case of a legal person



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APPENDIX IV - MLRO SUSPICION EVALUATION RECORD

Reference:

Customer Name:Account No:

Reporter:

ENQUIRIES UNDERTAKEN

.....

DOCUMENTS RESEARCHED/ATTACHED

.....

DETERMINATION/DECISION

.....

ENFORCEMENT UNIT/CBB DISCLOSURE REFERENCE:

FILE REFERENCE:

MLRO signatureDate:



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APPENDIX V - CORRESPONDENT BANKING AML DUE DILIGENCE QUESTIONNAIRE

PART [1] - GENERAL ADMINISTRATIVE INFORMATION

Registered Name:	
Trading Name (if different):	
Registered Address:	
	Physical presence at this address? Yes / No
Head Office Address	
	Physical presence at this address? Yes / No
Banking License No. & Date & Place Issued:	
License Type:	
Commercial Registration No. and Expiry (if any)	
Principal Local Regulator:	
Web Address:	
Name of External Auditor	
SWIFT Address:	
Are your shares publicly traded? If 'yes', list exchanges and symbols:	
Name of Parent Company (if applicable):	
Country of Incorporation of Parent Company:	
Purpose for which the account will be opened:	



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PART [2] - OWNERSHIP INFORMATION

Please list (or attach a listing of) all parties owning 20% or more of the issued capital of your institution:

Name	Ownership Interest (percentage)	Nature of ownership (direct/indirect)

Please provide us with list of Board of Directors and top Management showing by nationality and country of resident.

PART [3] - POLICIES & PROCEDURES

		YES	NO
1	Has your country established laws/regulations concerning Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)		
2	Has your country established laws/regulations Combating the Financing of Terrorism (CFT)		
3	Is your institution subject to such laws/regulations?		
4 a)	Do you have a written policy and operational procedures for prevention of money laundering and terrorist financing?		
4 b)	If not, are they planned to be introduced? Please indicate the estimated date of implementation:		
5	Are your policies / procedures compliant with local laws & regulations with regard to AML / CFT?		
6	Are your policies / procedures compliant with the Financial Action Task Force's (40 +9) Recommendations?		
7	Would you provide Al Baraka Islamic Bank with a copy of your policies if we requested them?		
8	Are the AML/CFT policies and procedures applicable to your head office also applied to your foreign branches and majority owned subsidiaries (both local and overseas)? If 'no' please give / attach details of any units that are excluded:		
9	Does your policy require you to: a) Verify the true identity of all customers prior to entering into a business relationship / undertaking any transactions? b) Verify the true identity of underlying beneficial owners, if any? c) Verify the source of wealth / funds and the level of economic activity of your customers? d) 'Risk rate' your customer base based on criteria such as residence / volume and type of activity? e) Apply enhanced customer due diligence on those customers identified as having a higher risk profile? f) Periodically update due diligence information obtained? g) Review the AML/CFT controls of respondent banks before opening an account for them?		



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		YES	NO
10	Do you retain copies of all relevant customer Identity Documents and transactions information? If 'yes' for what period?		
11	Do you have appropriate risk management systems to determine whether a customer is a Politically Exposed Person (PEP)?		
12	Do your policies and procedures permit you to open or maintain anonymous accounts?		
13	Do your policies and procedures permit you to conduct business with Shell banks, i.e., banks which maintain no physical presence in the country of their incorporation (except if a subsidiary of a regulated financial group)?		
14	Are any third parties (e.g., 'payable through' accounts) allowed direct access to the account (if any) maintained with AIB?		
15	If 'yes' has their identity been verified in accordance with your AML/KYC policies and procedures?		
16	Does your institution comply with FATF Special Recommendation VII and ensure that full originator information is included in all payments that you make?		
17	Does your institution have procedures for identifying payments / transactions related to persons / entities (appearing in relevant regulatory lists) suspected of terrorism? If 'yes' are these automated or manual?		
18	Do you have a system for detecting abnormal customer transactions or patterns of activity in relation to the expected norm? Is this manual or automated?		
19	Do you have policies and procedures for the identification and reporting of transactions that are required to be reported to the authorities?		
20	Are you permitted by your local regulations to share relevant customer identification data with your correspondents should this be requested?		
21	If 'yes', would you be willing to do so if required by us where a legitimate need has arisen?		
22	Does your institution have an established audit and / or compliance review function to test the adequacy of compliance with your AML / CFT policies and procedures?		
23	Does the Regulatory body / competent authority in your country conduct AML / CFT reviews of your institution. If 'yes' with what frequency:		
24	To the best of your knowledge are you in compliance in all material respects with all relevant AML / CFT laws and regulations?		
25	Has your institution been subject to any investigation, indictment, conviction or civil enforcement related to money laundering and terrorism financing in the past five years? If 'yes' please attach details.		
26	Does your institution have an established employee training program to teach employees about money laundering and to assist them in identifying suspicious transactions? If 'yes' with what frequency is training required?		



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PART [4] - CONTACT DETAILS

Has your institution appointed a Money Laundering Reporting Officer (MLRO)? If 'yes' please provide:

Name:		Phone:	
Address		Fax:	
Title		E-Mail	

ACKNOWLEDGEMENT OF RESPONSIBILITIES

We confirm that:

a) we will ensure that full due diligence is performed on all our customers who are party to any transactions involving Al Baraka Islamic Bank or upon whose behalf payments are to be routed through accounts (if any) maintained with you.

b) we will not allow a third party direct access to the account without prior notification to Al Baraka Islamic Bank.

I certify that I am authorized to complete this questionnaire and that to the best of my knowledge the information given is complete and correct

Signed:

Date:

Where different to part [4] above, form completed by:

Name		Phone	
Address		Fax	
Title		E-Mail	