

SUPPLEMENTARY INFORMATION

APPENDIX AML-VI

**Agreed-upon Procedures for testing
Compliance with Module AML (Anti-Money
Laundering & Combating Financial Crime)**

PRIVATE AND CONFIDENTIAL

Date

The Board of Directors
XYZ B.S.C
P O Box xxx
Manama
Kingdom of Bahrain

**XYZ B.S.C. (the “Capital Market Service Provider”)
Agreed-upon procedures relating to compliance with Module AML (Anti-Money Laundering &
Combating of Financial Crime) of the CBB Rulebook Volume 6**

Dear Sirs

We have performed the procedures agreed with you, and enumerated in the attached Appendix A with respect to the Capital Market Service Provider’s compliance with Module AML (Volume 6) of the Central Bank of Bahrain (the CBB) Rulebook (the “Rulebook”). The procedures were performed pursuant to the Capital Market Service Provider’s obligation under AML-3.3.1B of the Rulebook. The procedures performed were solely to assist you evaluating the Capital Market Service Provider’s compliance with Module AML of the Rulebook and cover the period from 1 January to 31 December 20XX. The procedures performed and our findings are set forth in Appendix A to this report.

Our engagement was undertaken in accordance with the International Standard on Related Services 4400 applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating whether the Capital Market Service Provider is in compliance with Module AML of the Rule Book.

Because these agreed upon procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the transactions pertaining to the Capital Market Service Provider.

Had we performed additional procedures or had we performed an audit or review of the Capital Market Service Provider’s compliance with sound practices in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and is for the information of the Capital Market Service Provider and the CBB and is not to be used for any other purpose or to be distributed in whole or in part to any other parties. This report relates only to matter specified in the first paragraph of this report and does not extend to any financial statements of the Capital Market Service Provider, taken as a whole.

Yours faithfully

Name of Individual Signing the Report
Name of Firm
Manama, Kingdom of Bahrain

Attachment: Appendix A

**Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with Anti-Money Laundering & Combating of Financial Crime
Module (AML) of the Rulebook**

<i>Sr. No.</i>	<i>Reference to CBB Rulebook Volume 6</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
General Requirements			
Natural and Legal Persons Requirements			
1	AML-1.1.2A AML-1.1.5 AML-1.1.6 AML-1.1.7 AML-1.1.8	For all new business relationships, check and verify the records to check if the Capital Market Service Provider has complied with the following requirements: (a) Purpose and intended nature of the business relationship is recorded; (b) Signature of the customer(s); (c) Signed statement from all new customers confirming whether or not the customer is acting on their own behalf or for a beneficial owner; (d) Signed statement in above is obtained prior to conducting any transactions with the customer concerned; (e) Where a customer is acting on behalf of a third party, a signed statement must be obtained from the third party; and (f) In the case of minors, the Capital Market Service Provider has additionally verified the identity of the parent(s) or legal guardian(s).	
2	AML-1.1.2	For a representative sample selected from each segment of customers and class of transactions, check that the Capital Market Service Provider has implemented the customer due diligence measures outlined in Chapter AML-1 when: (a) Establishing business relations with a new or existing customer; (b) A change to the signatory or beneficiary of an existing account or business relationship is made; (c) A significant transaction takes place (AML-2.2.3); (d) There is a material change in the way that an account is operated or in the manner in which the business relationship is conducted; (e) Customer documentation standards change substantially; (f) The Capital Market Service Provider has doubts about the veracity or adequacy of previously obtained customer due diligence information; (g) There is a suspicion of money laundering or terrorist financing.	

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3	AML-1.1.2B AML-2.2.10	<ul style="list-style-type: none"> ➤ Describe the ongoing due diligence process that the Capital Market Service Provider undertakes in respect of business relationships and its scrutiny of transactions throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds. ➤ Ensure that the Capital Market Service Provider is maintaining up-to-date documents and data or information collated under the CDD process. ➤ Check that the Capital Market Service Provider has undertaken reasonable steps to: <ul style="list-style-type: none"> (a) Scrutinize transactions undertaken throughout the course of that relationship to ensure that transactions being conducted are consistent with the capital market service provider's knowledge of the customer, their business risk and risk profile; and (b) Ensure that they receive and maintain up-to-date and relevant copies of the identification documents specified in Chapter AML-1, by undertaking reviews of existing records, particularly for higher risk categories of customers. Capital Market Service Providers must require all customers to provide up-to-date identification documents in their standard terms and conditions of business. 	
4	AML-1.10.7	<ul style="list-style-type: none"> ➤ Check that the Capital Market Service Provider has used authenticated SWIFT messages as a basis for confirmation of the identity of a financial institution under AML-1.10.1 (d) and (e) where it is dealing as principal. ➤ Also check that the Capital Market Service Provider, for customers coming under Paragraph AML-1.10.1 (d) and (e), obtain and retain a written statement from the parent institution of the subsidiary concerned, confirming that the subsidiary is subject to the same AML/CFT measures as its parent. 	
<i>Customer Due Diligence – Verification of Identity and Source of Funds</i>			

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5	AML-1.1.1 AML-4.2.1 AML-2.1.1	Check that the Capital Market Service Provider has established effective systematic internal procedures for establishing and verifying the identity of their customers and the source of their funds. Confirm that such procedures are set out in writing and approved by the Capital Market Service Provider's Board of Directors and senior management (as applicable).	
6	AML-1.1.1 AML-2.1.1 AML-2.1.2	<ul style="list-style-type: none"> ➤ Check that policies and procedures are set out in writing and approved by the Capital Market Service Provider's Board of Directors and senior management (as applicable) and are strictly adhered to. ➤ Determine and report on the frequency of revisions to AML/CFT policies and procedures and comment on its sufficiency. Document and report the date of the last review and approval. ➤ Check that the documented systems and controls and associated policies and procedures are in compliance with the requirements set in the AML Module (AML-2.1.1). ➤ Check that the policies and procedures cover standards for customer acceptance, on-going monitoring of higher risk accounts, staff training, and adequate screening procedures to ensure high standards while hiring employees. 	
Face-to-face Business			
Customer Due Diligence – Natural Persons			

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7	AML-1.2.1	<p>For each segment of customers and class of transactions and for a sample* that gives an adequate level of assurance. Check that the Capital Market Service Provider has sighted the original document and recorded the following information (in hard copy or electronic form), <u>and before providing capital market services of any kind to customers:</u></p> <ul style="list-style-type: none"> (a) Full legal name and any other names used; (b) Full permanent address (i.e. the residential address of the customer; a post office box is insufficient); (c) Date and place of birth; (d) Nationality; (e) Passport number (if the customer is a passport holder); (f) CPR or Iqama number (for residents of Bahrain or GCC states); (g) Telephone/fax number and email address (where applicable); (h) Occupation or public position held (where applicable); (i) Employer's name and address (if self-employed, the nature of the self-employment); (j) Type of account, and nature and volume of anticipated business dealings with the Capital Market Service Provider is recorded; (k) Signature of the <u>customer(s)</u>; (l) Source of funds; and (m) Source of Securities. <p>*The Auditors shall use statistical sampling techniques and select samples having considered the quality of internal control environment to decide on the level of assurance needed. When relying on internal controls, the auditor should document and attach to the AUP report findings of such assessment. The samples selected must consider all classes of transactions, products or services and the basis of sample selection must be reported.</p>	

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7 (a)	AML-1.2.3	<p>In respect of the testing of CDD process above, check that the Capital Market Service Provider has verified the information in Paragraph AML-1.2.1 (a) to (f) by the following methods below; at least one of the copies of the identification documents mentioned in (a) and (b) below must include a clear photograph of the customer:</p> <p>(a) Confirmation of the date of birth and legal name, by taking a copy of a current valid official original identification document (e.g. birth certificate, passport, CPR or Iqama);</p> <p>(b) Confirmation of the permanent residential address by taking a copy of a recent utility bill, bank statement or similar statement from another Capital Market Service Provider or financial institution, or some form of official correspondence or official documentation card, such as CPR, from a public/governmental authority, or record of home visit by an official of the Capital Market Service Provider; and</p> <p>(c) Where appropriate, direct contact with the customer by phone, letter or email to confirm relevant information, such as residential address.</p>	
8	AML-1.2.4	<ul style="list-style-type: none"> ➤ Based on a sample selected, check that the Capital Market Service Provider ensures that documents copied for the purpose of identification verification are original. ➤ Based on a sample selected, check that authorised officials of the Capital Market Service Provider certify the copy by writing on it the words “originals sighted” with the date and signature. ➤ Based on a sample selected, check that equivalent measures are taken for electronic copies. 	

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9	AML-1.2.5	Where identity documents are not received by an authorised official of the Capital Market Service Provider, check that the Capital Market Service Provider has obtained certified copies from one of the following GCC or FATF member state: (a) A lawyer; (b) A notary; (c) A chartered/certified accountant; (d) An official of a government ministry; or (e) An official of an embassy or consulate.	
<i>Customer Due Diligence – Anonymous and Nominee Accounts</i>			
10	AML-1.1.9	<ul style="list-style-type: none"> ➤ Check that the Capital Market Service Provider has not established or kept anonymous accounts or accounts in fictitious names. Scan the system for code names, unusual names etc. in the customer database and general ledger. ➤ Also check that the Capital Market Service Provider asks to disclose the identity in accordance with the requirements in Chapter AML-1 where a nominee account, which is controlled by or held for the benefit of another person, is maintained. 	
<i>Customer Due Diligence –Timing of Verification</i>			
11	AML-1.1.10	<ul style="list-style-type: none"> ➤ Check that the Capital Market Service Provider has not commenced a business relationship or undertaken a transaction with a customer before completion of the relevant customer due diligence measures. ➤ KYC verifications may be completed after the receipt of funds but no disbursement of funds takes place in any of the following cases: (a) Non-face-to-face business, or (b) The subsequent submission of CDD documents by the customer after initial face-to face contact. 	
<i>Customer Due Diligence – Incomplete Customer Due Diligence</i>			

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12	AML-1.1.11	➤ Where the Capital Market Service Provider is unable to comply with the requirements specified in Chapter AML-1, check that the Capital Market Service Provider has considered whether it should terminate the relationship or not proceed with the transaction. When the Capital Market Service Provider proceeds with the transaction check if it has additionally considered whether it should file a STR.	
<i>Customer Due Diligence - Legal Entities or Legal Arrangements (such as Trusts)</i>			

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13	AML-1.2.7	<p>In respect of legal entities or legal arrangements such as trusts, and for a sample* that gives an adequate level of assurance, check that the Capital Market Service Provider has obtained and recorded the following information from original identification documents, databases or websites, in hard copy or electronic form, to identify the customer (where the customer is a legal entity or legal arrangement such as a trust) and to take reasonable measures to verify its identity:</p> <ul style="list-style-type: none"> (a) The entity's full name and other trading names used; (b) Registration number (or equivalent); (c) Legal form and proof of existence; (d) Registered address and trading address (including a branch where applicable); (e) Objectives and type of business activity; (f) Date and place of incorporation or establishment; (g) Telephone, fax number and email address; (h) Regulatory body or listing body (for regulated activities such as financial services and listed companies); (i) The names of the relevant persons having a senior management position in the legal entity or legal arrangement; (j) Name of external auditor (where applicable); (k) Type of account, and nature and volume of anticipated business dealings with the Capital Market Service Provider; (l) Source of funds; and (m) Legal representative, such as Trustees or trusts. <p>*The Auditors shall use statistical sampling techniques and select samples having considered the quality of internal control environment to decide on the level of assurance needed. When relying on internal controls, the auditor should document and attach to the AUP report findings of such assessment. The samples selected must consider all classes of transactions, products or services and the basis of sample selection must be reported.</p>	

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14	AML-1.2.8	<p>Based on the sample selected, check certified copies of the following documents, as applicable and depending on the legal form of the entity, and confirm that the Capital Market Service Provider has verified the information provided under AML-1.2.7, as applicable (depending on the legal form of the entity) :</p> <ul style="list-style-type: none"> (a) Certificate of incorporation and/or certificate of commercial registration or trust deed; (b) Memorandum and Article of association; (c) Partnership agreement; (d) Board resolution seeking the capital market services (only necessary in the case of private or unlisted companies); (e) Identification documentation of the authorised signatories to the account (certification not necessary for companies listed in a GCC/FATF state); (f) Copy of the latest financial report and accounts, audited where possible (audited copies do not need to be certified); and (g) List of authorised signatories of the company for the account and a Board resolution (or other applicable document) authorising the named signatories or their agent to operate the account (resolution only necessary for private or unlisted companies). 	
15	AML-1.2.8A	<p>Based on a sample selected, check that the Capital Market Service Provider has identified and taken reasonable measures to verify the identity of beneficial owners, for customers that are legal persons, through verification of the following information:</p> <ul style="list-style-type: none"> (a) The identity of the natural person(s) who ultimately have a controlling ownership interest in a legal person, and (b) To the extent that there is doubt under (a) as to whether the person(s) with the controlling ownership interest is the beneficial owner(s), or where no natural person exerts control of the legal person or arrangement through other means; and (c) Where no natural person is identified under (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official. 	

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16	AML-1.2.9	Based on a sample selected, check that the Capital Market Service Provider has ensured that documents obtained to satisfy the requirements in AML-1.2.8 are certified in the manner specified in AML-1.2.4 to AML-1.2.6.	
17	AML-1.2.11	<p>Based on a sample selected, check that the Capital Market Service Provider has obtained and documented the following due diligence information. These due diligence requirements must be incorporated in the Capital Market Service Provider's new business procedures:</p> <ul style="list-style-type: none"> (a) Enquire as to the structure of the legal entity or trust sufficient to determine and verify the identity of the ultimate beneficial owner of the funds or securities, the ultimate provider of funds or securities (if different), and the ultimate controller of the funds or securities (if different); (b) Ascertain whether the legal entity has been or is in the process of being wound up, dissolved, struck off or terminated; (c) Obtain the names, country of residence and nationality of Directors or partners (only necessary for private or unlisted companies); (d) Require, through new customer documentation or other transparent means, updates on significant changes to corporate ownership and/or legal structure; (e) Obtain and verify the identity of shareholders holding 20% or more of the issued capital (where applicable). The requirement to verify the identity of these shareholders does not apply in the case of FATF/GCC listed companies; (f) In the case of trusts or similar arrangements, establish the identity of the settler(s), trustee(s), and beneficiaries (including making such reasonable enquiries as to ascertain the identity of any other potential beneficiary, in addition to the named beneficiaries of the trust); and (g) Where a Capital Market Service Provider has reasonable grounds for questioning the authenticity of the information supplied by a customer, conduct additional due diligence to confirm the above information. 	

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<i>Enhanced Customer Due Diligence: General Requirements</i>			
18	AML-1.3.1	Check, by testing a sample selection of higher risk customers that the Capital Market Service Provider has performed enhanced customer due diligence on those customers identified as having a higher risk profile, and additional inquiries made or information obtained in respect of those customers.	
<i>Enhanced Customer Due Diligence: Non face-to-face Business and New Technologies</i>			
19	AML-1.4.1	<ul style="list-style-type: none"> ➤ Based on a sample selected, check that the Capital Market Service Provider has established specific procedures for verifying customer identity where no face-to-face contact takes place. ➤ Describe the procedures for customer identification and for verification of customer identity documentation. 	
20	AML-1.4.2	<p>For a sample selection of non-face-to-face business customers, check that the Capital Market Service Provider has taken additional measures for non-face-to-face contacts to those specified measures in Section AML-1.2 in order to mitigate the potentially higher risk associated with such business. In particular, Capital Market Service Provider must take measures:</p> <p>(a) To ensure that the customer is the person they claim to be; and</p> <p>(b) To ensure that the address provided is genuinely the customer's.</p>	
21	AML-1.4.4	<ul style="list-style-type: none"> ➤ Check that the Capital Market Service Provider has established procedures to prevent the misuse of technological developments in money laundering or terrorist financing schemes ➤ Check process established to ensure that the Capital Market Service Provider has complied with e-commerce laws and/or CBB directives or regulations issued from time to time as appropriate with respect to AML/CFT. ➤ Check that the Capital Market Service Provider which provide screen based trading or online services to their customers has set-up programmes or systems to highlight usual transactions to enable the Capital Market Service Provider to report all such transactions. 	

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22	AML-1.4.5	<ul style="list-style-type: none"> ➤ Check and comment on the policy and procedure that the Capital Market Service Provider uses to ensure it has identified and assessed the money laundering or terrorist financing risks that may arise in relation to: <ul style="list-style-type: none"> (a) The development of new products and new business practices, including new delivery mechanisms; and (b) The use of new or developing technologies for both new and pre-existing products. ➤ Obtain a listing of new products or services and check how the above procedures were applied. 	
23	AML-1.4.6	<ul style="list-style-type: none"> ➤ For a sample selection, check that the Capital Market Service Provider has implemented risk assessment prior the launch of new products, business practices or the use of new or developing technologies. ➤ Check that the Capital Market Service Provider has placed appropriate measures to manage and mitigate those risks. 	
<i>Enhanced Customer Due Diligence: Politically Exposed Persons ('PEPs')</i>			

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24	AML-1.5.1 AML-1.5.2 AML-1.5.3 AML-1.5.3A	<ul style="list-style-type: none"> ➤ Check and confirm that the Capital Market Service Provider has established appropriate risk management systems to determine whether a customer or beneficial owner is a Politically Exposed Person ('PEP'), both at the time of establishing business relations and thereafter on a periodic basis. ➤ Check that the Capital Market Service Provider has utilized publicly available databases and information to establish whether a customer is a PEP. ➤ Check that the Capital Market Service Provider has established a client acceptance policy with regard to PEPs, taking into account the reputational and other risks involved. ➤ Based on a sample selected, check that the Capital Market Service Provider has obtained senior management approval before a PEP is accepted as a customer. Check policy and procedure and perform sample testing. ➤ Based on a sample selected, check that the Capital Market Service Provider has included the following measures for existing PEP customers or subsequently becomes a PEP: <ul style="list-style-type: none"> (a) Analysis of complex financial structures, including trusts, foundations or international business corporations; (b) A written record in the customer file to establish that reasonable measures have been taken to establish both the source of wealth and the source of funds; (c) Development of a profile of anticipated customer activity, to be used in on-going monitoring; (d) Approval of senior management for allowing the customer relationship to continue; and (e) On-going account monitoring of the PEP's account by senior management (such as the MLRO). ➤ Based on a sample selected, check that the Capital Market Service Provider has applied, at a minimum, the measures referred to in (b) (d) and (e) of Paragraph AML-1.5.3 in the cases of higher risk business relationships with such persons mentioned in Paragraph AML-1.5.1. 	
25	AML-1.5.3B	Check that the Capital Market Service Provider has applied all PEP requirements to family or close associates of such PEPs.	
<i>Enhanced Due Diligence: Charities, Clubs and Other Societies</i>			

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26	AML-1.6.1	<ul style="list-style-type: none"> ➤ Check and confirm based on a sample selected that the Capital Market Service Provider has provided capital market services to charitable funds and religious, sporting, social, cooperative and professional and other societies, <u>only after obtaining</u> an original certificate authenticated by the relevant Ministry confirming the identities of those purporting to act on their behalf (and authorising them to obtain the said service) is obtained. ➤ Check that the Capital Market Service Provider has contacted General Organisation for Youth and Sports (GOYS) to clarify whether the account for clubs and societies registered with GOYS may be opened in accordance with the rules of GOYS. 	
27	AML-1.6.3	<ul style="list-style-type: none"> ➤ Based on the sample selected, check that the Capital Market Service Provider has applied enhanced transaction monitoring procedures for charities. ➤ Check that the Capital Market Service Provider has developed a profile of anticipated account activity (in terms of payee countries and recipient organisations in particular). 	
28	AML-1.6.4	<ul style="list-style-type: none"> ➤ Check and confirm that the Capital Market Service Provider has submitted to the CBB's Compliance Directorate a monthly report of all payments and transfers of BD3,000 (or equivalent in foreign currencies) and above, from accounts held by charities registered in Bahrain, giving details of the amount transferred, account name, number and beneficiary name account and bank details. ➤ Check that the Capital Market Service Provider has ensured that transfers are in accordance with the spending plans of the charity (in terms of amount, recipient and country). 	
29	AML-1.6.5	Check and confirm that the Capital Market Service Provider has not accepted or processed any incoming or outgoing wire transfers from or to any foreign country on behalf of charity and non-profit organisations licensed by the Ministry of Social Development until an official letter by the Ministry authorising the receipt or remittance of the funds is obtained by the concerned Capital Market Service Provider.	
Enhanced Due Diligence: 'Pooled Funds'			

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30	AML-1.7.1	<ul style="list-style-type: none"> ➤ For a sample selected, check that the Capital Market Service Provider, when receives pooled funds managed by professional intermediaries, has applied CDD measures contained in Section AML-1.8 to the professional intermediary. ➤ For the sample selected, Check that the Capital Market Service Provider has verified the identity of the beneficial owners of the funds where required as shown in Paragraphs AML-1.7.2 or AML-1.7.3. 	
31	AML-1.7.2	For the sample selected, check that the Capital Market Service Provider has verified all beneficial owners' identity, of funds pooled in an account which is not co-mingled, in accordance with the requirements in Section AML-1.2.	
32	AML-1.7.3	For accounts held by intermediaries resident in Bahrain, check that the Capital Market Service Provider has made a reasonable effort (in the context of the nature and amount of the funds received) to look beyond the intermediary and determine the identity of the beneficial owners or underlying clients, particularly where funds are banked and then transferred onward to other financial institutions (e.g. in the case of accounts held on behalf of authorised money transferors).	
33	AML-1.7.4	<ul style="list-style-type: none"> ➤ For accounts held by intermediaries from foreign jurisdictions, check if the Capital Market Service Provider has ensured that intermediary is supervised for compliance with requirements to combat money laundering and terrorist financing, consistent with the FATF Recommendations. ➤ Check that the Capital Market Service Provider has obtained documentary evidence to support the case for not carrying out customer due diligence measures beyond identifying the intermediary. ➤ Check that the Capital Market Service Provider has satisfied itself that the intermediary has identified the underlying beneficiaries and has the systems and controls to allocate the assets in the pooled accounts to the relevant beneficiaries. 	
34	AML-1.7.5	Check that the Capital Market Service Provider, where the intermediary is not empowered to provide the required information on beneficial owners (e.g. lawyers bound by professional confidentiality rules) or where the intermediary is not subject to the same due diligence standards referred to above, has not permitted the intermediary to open an account or allowed the account to continue to operate, unless specific permission was obtained in writing from the CBB.	

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<i>Introduced Business from Professional Intermediaries</i>			
35	AML-1.8.1	Check that the Capital Market Service Provider has only accepted customers introduced to it by other Capital Market Service Providers, financial institutions or intermediaries, if it has satisfied itself that the Capital Market Service Provider, financial institution or intermediary concerned is subject to FATF-equivalent measures and customer due diligence measures. Also check that the Capital Market Service Provider, where it delegates part of the customer due diligence measures to another Capital Market Service Provider, financial institution or intermediary, has remained the responsibility for meeting the requirements of Chapters 1 and 2.	
36	AML-1.8.2	For a sample selected, check that the Capital Market Service Provider has only accepted introduced business if all of the following conditions are satisfied: (a) The customer due diligence measures applied by the introducer are consistent with those required by the FATF Recommendations; (b) A formal agreement is in place defining the respective roles of the Capital Market Service Provider and the introducer in relation to customer due diligence measures. The agreement must specify that the customer due diligence measures of the introducer will comply with the FATF Recommendations; (c) The introducer immediately provides all necessary information pertaining to the customer's identity, the identity of the customer and beneficial owner of the funds (where different) and, where applicable, the party/parties on whose behalf the customer is acting; also, the introducer has confirmed that the Capital Market Service Provider will be allowed to verify the customer due diligence measures undertaken by the introducer at any stage; and (d) Written confirmation is provided by the introducer confirming that all customer due diligence measures required by the FATF Recommendations have been followed and the customer's identity established and verified. In addition, the confirmation must state that any identification documents or other customer due diligence material can be accessed by the Capital Market Service Provider and that these documents will be kept for at least five years after the business relationship has ended.	

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37	AML-1.8.3	<ul style="list-style-type: none"> ➤ Check that the Capital Market Service Provider has performed periodic reviews ensuring that any introducer on which it relies is in compliance with the FATF Recommendations. ➤ Check that the Capital Market Service Provider has performed periodic reviews to verify whether the jurisdiction is in compliance with the FATF Recommendations, where the introducer is resident in another jurisdiction. 	
38	AML-1.8.4	<ul style="list-style-type: none"> ➤ Based on a sample selected, check that the Capital Market Service Provider has conducted due diligence to satisfy that the introducer is in compliance with the requirements of the FATF Recommendations. ➤ Check and confirm that the Capital Market Service Provider has conducted its own customer due diligence on introduced business, or has not accepted further introductions, or discontinued the business relationship with the introducer. 	
<i>Shell Banks</i>			
39	AML-1.9.1	<ul style="list-style-type: none"> ➤ Check that the Capital Market Service Provider has refused to establish business relations with banks which have no physical presence or 'mind and management' in the jurisdiction in which they are licensed and which are unaffiliated with a regulated financial group ('shell banks'). ➤ Check that the Capital Market Service Provider has not knowingly established relations with other Capital Market Service Providers or financial institutions that have relations with shell banks. 	
40	AML-1.9.2	<ul style="list-style-type: none"> ➤ Check that the Capital Market Service Provider has reported suspicious transaction report (STR) to the Financial Intelligence Unit, General Directorate of Criminal Investigation, Ministry of Interior and the Compliance Directorate if they are approached by a shell bank or an institution they suspect of being a shell bank. ➤ Request Capital Market Service Provider to provide statistics on STRs during the period of coverage. 	
<i>Simplified Customer Due Diligence</i>			

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41	AML-1.10.1	<p>For a sample selected, check that the Capital Market Service Provider has applied simplified customer due diligence measure only if conditions in Paragraphs AML-1.10.2 to AML-1.10.6 are met:</p> <p>(a) [This Subparagraph was deleted in January 2018];</p> <p>(b) The transaction concerns the sale of a Security listed on a licensed exchange, issued as a result of an initial public offering after January 2006, and the customer already holds an investor number and an allotment letter. Furthermore, the licensed exchange should have advised the broker (by circular) that all necessary customer due diligence information and copies of all original identification documents will be made available upon request without delay;</p> <p>(c) The customer is a company listed on a GCC or FATF member state stock exchange with equivalent disclosure standards to those of a licensed exchange;</p> <p>(d) The customer is a financial institution whose entire operations are subject to AML/CFT requirements consistent with the FATF Recommendations and it is supervised by a financial services supervisor in a FATF or GCC member state for compliance with those requirements;</p> <p>(e) The customer is a financial institution which is a subsidiary of a financial institution located in a FATF or GCC member state, and the AML/CFT requirements applied to its parent also apply to the subsidiary;</p> <p>(f) The customer is the Central Bank of Bahrain ('CBB'), a licensed exchange, or a Capital Market Service Provider of the CBB; or</p> <p>(g) The customer is a Ministry of a GCC or FATF member state government, a company in which a GCC government is a majority shareholder, or a company established by decree in the GCC.</p>	
42	AML-1.10.2	<p>For the sample selected above, for the customers falling under category (b) above, check that the Capital Market Service Provider has recorded the customer's name and contact information. Verification, certification, and due diligence requirements in Paragraphs AML-1.2.3, AML-1.2.5, AML-1.2.6, AML-1.2.8, AML-1.2.9 and AML-1.2.11, may be dispensed with".</p>	

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43	AML-1.10.4	For the sample selected above, for the customers falling under categories (c) to (g) above, check that the Capital Market Service Provider has obtained the information required under Paragraph AML-1.2.7 (for legal entities). Verification, certification, and due diligence requirements in Paragraphs AML-1.2.3, AML-1.2.5, AML-1.2.6, AML-1.2.8, AML-1.2.9 and AML-1.2.11, may be dispensed with”.	
44	AML-1.10.5	Check that the Capital Market Service Provider, if wishing to apply simplified due diligence measures as allowed for under categories (c) to (g) of Paragraph AML-1.10.1, has retained documentary evidence supporting their categorisation of the customer.	
45	AML-1.10.8	Check that the Capital Market Service Provider has not applied simplified customer due diligence where it knows, suspects, or has reason to suspect, that the applicant is engaged in money laundering or terrorism financing or that the transaction is carried out on behalf of another person engaged in money laundering or terrorism financing.	
<i>AML / CFT Systems and Controls</i>			
<i>Risk Based Monitoring</i>			
46	AML-2.2.1	Check that the Capital Market Service Provider has developed risk-based monitoring systems appropriate to the complexity of their business, their number of clients and types of transactions. Check that these systems are configured to identify significant or abnormal transactions or patterns of activity, and included limits on the number, types or size of transactions undertaken outside expected norms; and limits for cash and non-cash transactions.	
<i>Automated Transaction Monitoring</i>			
47	AML-2.2.3	<ul style="list-style-type: none"> ➤ Inquire if the Capital Market Service Provider has implemented automated transaction monitoring to identify abnormal or unusual flow of funds. ➤ Check that the customer has a process by which all transactions over BD 6,000 are monitored and reviewed. ➤ Check that the Capital Market Service Provider has a daily report that captures transactions above 6,000 for monitoring by the MLRO or a relevant delegated official. ➤ Check for a sample, if records are retained by the Capital Market Service Provider for five years after the date of the transaction. 	

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48	AML-2.2.5	<ul style="list-style-type: none"> ➤ Check that the Capital Market Service Provider, where risk-based monitoring systems identify significant or abnormal transactions (as defined in AML-2.2.2 and AML-2.2.3), has verified the source of funds for those transactions, particularly where the transactions are above the occasional transactions threshold of BD 6,000. Also check if the Capital Market Service Provider, in the case of one-off transactions where there is no ongoing account relationship, has filed STR if it is unable to verify the source of funds to its satisfaction (AML-4). ➤ For a sample of transactions, check that the Capital Market Service Provider has documented its examination of the background and purpose to those transactions and documented their findings. 	
49	AML-2.2.6	<ul style="list-style-type: none"> ➤ For a sample of transactions, check that the Capital Market Service Provider has carried out the investigations required under AML-2.2.5 by the MLRO (or relevant delegated official). ➤ Inquire if the Capital Market Service Provider maintains documents relating to these findings for five years from the date when the transaction was completed (see also AML-6.1.1 (b)). 	
50	AML-2.2.7	Inquire if the Capital Market Service Provider considers instances where there is a significant, unexpected or unexplained change in customer activity.	
51	AML-2.2.8	<ul style="list-style-type: none"> ➤ For a sample selected, check that the Capital Market Service Provider has reviewed its customer identity and updated its records when an existing customer closes one account and opens another account. ➤ Check that the Capital Market Service Provider has documented obtaining and re-verifying of the missing or out of date information where the information available falls short of the requirements contained in Chapter AML-1. 	
<i>On-going Monitoring</i>			

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52	AML-2.2.10	<p>Check that the Capital Market Service Provider has taken reasonable steps to:</p> <p>a) Scrutinize transactions undertaken throughout the course of that relationship to ensure that transactions being conducted are consistent with the Capital Market Service Provider's knowledge of the customer, their business risk and risk profile; and</p> <p>b) Ensure that they receive and maintain up-to-date and relevant copies of the identification documents specified in Chapter AML-1, by undertaking reviews of existing records, particularly for higher risk categories of customers. Capital Market Service Provider must require all customers to provide up-to-date identification documents in their standard terms and conditions of business</p> <p>c) Comment on the systems and tools used for transactions monitoring and the scenarios built into the system for alerts.</p>	
53	AML-2.2.11	<p>➤ For a sample selected, check that the Capital Market Service Provider has reviewed and updated their customer due diligence information at least every three years, particularly for higher risk categories of customers.</p> <p>➤ Check that the Capital Market Service Provider has obtained, upon performing such review, updated copies of outdated identification documents of more than 12 months as soon as possible.</p>	
54	AML-2.2.12	<p>Check that the Capital Market Service Provider has maintained information and documents in respect to client transactions such as date of execution, value of transaction, type of Securities and identity of the counterparty.</p>	
<i>Responsibilities of MLRO</i>			
55	AML-3.1	<p>➤ Assess and comment on the independence, powers and responsibilities of MLRO.</p> <p>➤ Obtain a sample to check if the Capital Market Service Provider has taken adequate measures to ensure staff are competent and well trained.</p>	

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56	AML-3.2.1	<p>Obtain the MLRO's job descriptions and check that it includes the following:</p> <ul style="list-style-type: none"> (a) Establishing and maintaining the Capital Market Service Provider's AML/CFT policies and procedures; (b) Ensuring that the Capital Market Service Provider complies with the AML Law and any other applicable AML/CFT legislation and regulations; (c) Ensuring day-to-day compliance with the Capital Market Service Provider's own internal AML/CFT policies and procedures; (d) Acting as the Capital Market Service Provider's main point of contact in respect of handling internal suspicious transaction reports from the Capital Market Service Provider's staff (refer to Section AML-4.1) and as the main contact for the Financial Intelligence Directorate, the CBB and other concerned bodies regarding AML/CFT; (e) Making external suspicious transactions reports to the Anti-Money Laundering Unit and Compliance Directorate (refer to Section AML-4.2); (f) Taking reasonable steps to establish and maintain adequate arrangements for staff awareness and training on AML/CFT matters (whether internal or external), as per Chapter AML-5; (g) Producing annual reports on the effectiveness of the Capital Market Service Provider's AML / CFT controls, for consideration by senior management, as per Paragraph AML-3.3.3; (h) On-going monitoring of what may, in his opinion, constitute high-risk customer accounts; and (i) Ensuring that the Capital Market Service Provider maintains all necessary CDD, transactions, STR and staff training records for the required periods (refer to Section AML-6.1). 	
<i>Compliance monitoring</i>			

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57	AML-3.3.1 AML-3.3.3	<ul style="list-style-type: none"> ➤ Check that the Capital Market Service Provider takes appropriate steps to identify and assess their money laundering and terrorist financing risks (for customers, countries or geographic areas; and products, services, transactions or delivery channels). ➤ Check that it documents such assessments in order to be able to demonstrate their basis, keep these assessments up to date, and have appropriate mechanisms to provide risk assessment information to the CBB. ➤ Check that the Capital Market Service Provider has considered the nature and extent of the assessment of money laundering and terrorist financing risks is appropriate to the nature and size of the business. ➤ Ensure the assessment reports are made available to the Board of Directors for its review and, remediation measures if any are commissioned. 	
58	AML-3.3.1B	<p>Check that the Capital Market Service Provider reviews the effectiveness of its AML/CFT procedures, systems and controls at least once each calendar year. The review must cover the Capital Market Service Provider and its branches and subsidiaries both inside and outside the Kingdom of Bahrain. The scope of the review must include:</p> <ul style="list-style-type: none"> (a) A report, containing the number of internal reports made in accordance with Section AML-4.1, a breakdown of all the results of those internal reports and their outcomes for each segment of the Capital Market Service Provider's business, and an analysis of whether controls or training need to be enhanced; (b) A report, indicating the number of external reports made in accordance with Section AML-4.2 and, where a Capital Market Service Provider has made an internal report but not made an external report, noting why no external report was made; (c) A sample test of compliance with this Module's customer due diligence requirements; and (d) A report as to the quality of the Capital Market Service Provider's anti-money laundering procedures, systems and controls and compliance with the rules of a licensed exchange and licensed clearing house and or central depository, AML Law and this Module. 	

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59	AML-3.3.2	<ul style="list-style-type: none"> ➤ Check and confirm that the reports listed under Paragraph AML-3.3.1B (a) and (b) are made by the MLRO. Confirm that the review includes a sample test of compliance with the Module's customer due diligence requirements. ➤ Check and confirm that the sample testing required under Paragraph AML-3.3.1B (c) is undertaken either by the Capital Market Service Provider's internal auditor, its external auditor or a consultancy firm approved by the CBB. 	
Internal reporting			
60	AML-4.1.1	<ul style="list-style-type: none"> ➤ Review the internal reports to check evidence of compliance with Module AML regarding suspicious transactions. ➤ Check the Capital Market Service Provider has procedures to ensure that staff who handle customer business (or are managerially responsible for such staff) make a report promptly to the MLRO if they know or suspect that a customer (or a person on whose behalf a customer may be acting) is engaged in money laundering or terrorism financing, or if the transaction or the customer's conduct otherwise appears unusual or suspicious. Such procedures must include arrangements for disciplining any member of staff who fails, without reasonable excuse, to make such a report. 	
61	AML-4.1.2	Check that the Capital Market Service Provider has internal processes that provide for staff to consult with their line managers before sending a report to the MLRO. Such processes must not be used to prevent reports reaching the MLRO, where staff have stated that they have knowledge or suspicion that a transaction may involve money laundering or terrorist financing	
External reporting			

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62	AML-4.2.1 AML-4.2.2 AML-4.2.3 AML-4.2.4	<p>Review the external reports to check evidence of compliance with Module AML regarding suspicious transactions.</p> <p>Check that the Capital Market Service Provider takes reasonable steps to ensure that all reports made under Section AML-4.1 are considered by the MLRO (or his duly authorised delegate).</p> <p>Having considered the report and any other relevant information the MLRO (or his duly authorised delegate), if he still suspects that a person has been engaged in money laundering or terrorism financing, or the activity concerned is otherwise still regarded as suspicious, must report the fact promptly to the relevant authorities.</p> <p>Reports must be sent to the Financial Intelligence Directorate at the Ministry of Interior and the CBB's Compliance Directorate using the Suspicious Transaction Report Online System (Online STR system). STRs in paper format will not be accepted. This reporting requirement applies regardless of whether the transaction involves tax matters.</p> <p>Where no report is made, check that the MLRO has documented the reasons why.</p> <p>For the purpose of above, check that Capital Market Service Provider has made adequate arrangements to ensure that:</p> <ol style="list-style-type: none"> The MLRO is required to consider all the relevant information and that such information is accessible or can be reasonably obtainable by the MLRO; Permit the MLRO to have access to any information, including know your customer information, in the Capital Market Service Provider's possession which could be relevant; and Ensure that where the MLRO, or his duly authorised delegate, suspects that a person has been engaged in money laundering or terrorist financing, a report is made by the MLRO which is not subject to the consent or approval of any other person. 	
63	AML-4.2.5	Check that the Capital Market Service Provider retains all the relevant details of STRs submitted to the relevant authorities for at least five years.	
<i>Reporting to the SRO</i>			

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64	AML-4.3.1	<ul style="list-style-type: none"> ➤ Check that the Capital Market Service Provider's MLRO, whenever becomes aware or believes, or has reason to believe that a client is involved in a Money Laundering offence, has reported the case as per the reporting requirements in section AML-4.2 ➤ Ensure that the MLRO has informed the SRO on which the transaction is taking place, or where the Securities or cash is being held, in which case the SRO must, unless instructed otherwise by a Relevant Authority, stop the execution of the suspicious transaction and any Security deposited with the SRO or other Capital Market Service Provider. 	
<i>Training</i>			

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65	AML-5.1.1 AML-5.1.2 AML-5.1.3 AML-5.1.4	<ul style="list-style-type: none"> ➤ For a selected sample of staff who handle customer transactions, or are managerially responsible for such transactions, check the records of their attendance to AML/CFT training courses. ➤ Obtain the AML/CFT training material and check that the Capital Market Service Provider has taken reasonable steps to provide periodic training and information to ensure that staff who handle customer transactions, or are managerially responsible for such transactions, are made aware of: <ul style="list-style-type: none"> (a) Their responsibilities under the AML Law, this Module, and any other relevant AML/CFT laws and regulations; (b) The identity and responsibilities of the MLRO and his deputy; (c) The potential consequences, both individual and corporate, of any breach of the AML Law, this Module and any other relevant AML/CFT laws or regulations; (d) The Capital Market Service Provider’s current AML/CFT policies and procedures; (e) Money Laundering and terrorist financing typologies and trends; (f) The type of customer activity or transaction that may justify an internal report in accordance with section AML-4.1; (g) The Capital Market Service Provider’s procedures for making an internal report as per section AML-4.1; and (h) Customer due diligence measures with respect to establishing business relations with customers. ➤ The information referred to in Paragraph AML-5.1.1 must be brought to the attention of relevant new employees of Capital Market Service Providers, and must remain available for reference by staff during their period of employment. ➤ For a selected sample of relevant new employees, check that AML/CFT training was given within three months of joining a Capital Market Service Provider. ➤ Check that the AML/CFT training for relevant staff remains up-to-date, and is appropriate given the Capital Market Service Provider’s activities and customer base. 	
66	AML-5.1.6	Check that the Capital Market Service Provider has adequate screening procedures to ensure high standards when hiring employees. These procedures must include controls to prevent criminals or their associates from being employed.	

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67	AML-6.1.4	Check that the Capital Market Service Provider has maintained for at least five years, records showing the dates when AML/CFT training was given, the nature of the training, and the names of the staff that received the training.	
<i>General requirements</i>			
68	AML-6.1.1 AML-6.1.2	<ul style="list-style-type: none"> ➤ Check on a sample basis that the Capital Market Service Provider (including accounting and identification records), for the following minimum periods: <ul style="list-style-type: none"> (a) For customers, in relation to evidence of identity and business relationship records (such as application forms, account files and business correspondence, including the results of any analysis undertaken (e.g. enquiries to establish the background and purpose of complex, unusual large transactions)), for at least five years after the customer relationship has ceased; and (b) For transactions, in relation to documents (including customer instructions in the form of letters, faxes or emails) enabling a reconstitution of the transaction concerned, for at least five years after the transaction was completed. ➤ Check that the Capital Market Service Provider retains copies of the reports produced for their annual compliance review, as specified in Paragraph AML-3.3.1, for at least five years. Capital Market Service Provider must also maintain for 5 years reports made to, or by, the MLRO made in accordance with Sections AML-4.1 and AML-4.2, and records showing how these reports were dealt with and what action, if any, was taken as a consequence of those reports. 	
69	AML-6.1.3	<p>Check that the Capital Market Service Provider observed the below when required to deliver the original copy of a record concerning any transaction, or a document pertaining thereto before the expiry of the prescribed period:</p> <ul style="list-style-type: none"> (a) They have maintained a complete copy of the delivered record or documents until the end of the period prescribed for maintaining the original records or documents. (b) They have maintained a record of the delivered documents. 	
<i>General Requirements in Relation to Securities</i>			
<i>General Requirements in Respect of Substantial Shareholding</i>			

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70	AML-7.1.1	Ensure that the licensed exchange once being notified of a person whose ownership alone or his ownership together with that of his minor children, or any other accounts under his disposal, or the ownership of any of his associate or affiliate companies amounts to 5% or more of any listed Security of a joint stock company, has notified the CBB of this fact and the CBB may declare the name of the Person who owns such stake.	
71	AML-7.1.2	Ensure that all persons whose ownership alone or whose ownership together with that of their minor children, or the accounts standing under their disposal amounts to 5% or more of any listed security have concluded all transactions on such security on a licensed exchange in Bahrain.	
72	AML-7.1.3	Check that all persons have obtained CBB prior written approval to execute the orders that will bring their ownership alone or their ownership together with their minor children, or the accounts standing under their disposal to 10% or more in any listed security. Also check that the CBB prior written approval is obtained for further increase of 1% or more.	
73	AML-7.1.4	Check that any breach of the provisions of section AML-7.1 results in the cancellation of the transaction, and the Person in breach has bear all costs arising in this connection.	
<i>Requirements for Listing</i>			
74	AML-7.2.1	Ensure that no local or foreign company is listed on a Licensed Exchange, unless their documents of incorporation are completed and satisfied all legal requirements applicable in the Kingdom, or in their countries of incorporation to the extent that these are comparable to this Module, as the case may be.	
<i>Requirements for Offering</i>			
75	AML-7.3.1	Ensure that no security is offered for public subscription in the Kingdom unless the issuing company has duly incorporated under the laws of the Kingdom, or the laws of its country of incorporation, as the case may be, satisfied all terms and conditions governing the public offering of Securities in the Kingdom, and abiding by the conditions and requirements stipulated under the Commercial Companies Law and the Disclosure Standards in force in the Kingdom.	
76	AML-7.3.2	Ensure that no Security issued to the bearer is offered, listed, traded or deposited on a Licensed Exchange.	

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<i>Requirements for Deposit</i>			
77	AML-7.4.1	Ensure that a Security is not accepted in the Central Depository System unless its authenticity is approved by the concerned shares registrar and the client has provided the Central Depository System with any amendment or change which may occur in such particulars.	
<i>Acceptance of Cash by SRO Members</i>			
78	AML-8.1.1	Brokerage companies and offices may receive cash amounts in Bahraini Dinars for transactions with a value not exceeding Five Hundred Bahraini Dinars, save for transactions carried out frequently by the same client.	
79	AML-8.1.2	Check if the identity of third party is verified, when the value of a transaction is paid for by cheque by a third party other than the purchaser.	
<i>Special measures for Non-Cooperative Countries or Territories (NCCTS)</i>			
80	AML-9.1.1 AML-9.1.2	Perform detailed checks of processes and transactions to ensure that the Capital Market Service Provider gives special attention to any dealings they may have with entities or persons domiciled in countries or territories which are: (a) Identified by the FATF as being ‘non-cooperative’; or (b) Notified to Capital Market Service Provider from time to time by the CBB. Perform detailed checks of processes and transactions to ensure that Capital Market Service Provider re-examines and documents the re-examination whenever there are transactions with such parties. If suspicion remains, then the transaction must be reported to the relevant authorities.	
81	AML-9.1.3	Check that the Capital Market Service Provider has policies and processes in place to ensure that it performs EDD for business relationships and transactions with natural and legal persons, and financial institutions, from countries where such measures are called for by the FATF. The type of enhanced due diligence measures applied must be effective and proportionate to the risks.	
<i>Terrorist Financing</i>			
82	AML-9.2.1	For a selected sample, check that the Capital Market Service Provider complies in full with any rules or regulations issued by the CBB in connection with the provisions of the UN Security Council Anti-terrorism Resolution No. 1373 of 2001 (‘UNSCR 1373’), including the rules in this Chapter	

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83	AML-9.2.4	For a selected sample, check that the Capital Market Service Provider reports to the CBB details of: (a) Funds or other financial assets or economic resources held with them which may be the subject of Article 1, Paragraphs c) and d) of UNSCR 1373; and (b) All claims, whether actual or contingent, which the Capital Market Service Provider has on persons and entities which may be the subject of Article 1, Paragraphs c) and d) of UNSCR 1373.	
84	AML-9.3.1	Check that, without prejudice to the general duty of all Capital Market Service Provider to exercise the utmost care when dealing with persons or entities who might come under Article 1, Paragraphs (c) and (d) of UNSCR 1373, (“designated persons”) the Capital Market Service Provider does not deal with any persons or entities designated by the CBB as potentially linked to terrorist activity.	
85	AML-9.3.3	Check that the Capital Market Service Provider has procedures to report to the relevant authorities, detailed of any accounts or other dealings with designated persons and entities, and comply with any subsequent directions issued by the relevant authorities.	
86	Prior period report	Check remediation of issues raised in the prior period report and enlist matters that have not yet been adequately addressed.	
<i>Fraud</i>			
87	AML-12.1.1.	Check that the Capital Market Service Provider has allocated appropriate resources and have in place systems and controls to deter, detect, and record instances of fraud or attempted fraud.	
88	AML-12.1.3	Check that any actual or attempted fraud incident (however small) is reported to the appropriate authorities (including the CBB) and followed up. Ensure that a monitoring systems are designed to measure fraud patterns that might reveal a series of related fraud incidents.	
89	AML-12.1.14	Check that the Capital Market Service Provider has assigned a person overall responsibility for the prevention, detection and remedy of fraud, at a senior level of the organisation.	

**Appendix A to report dated xxxxx on Agreed-upon procedures relating to compliance with Anti-Money Laundering & Combating of Financial Crime
Module (AML) of the Rulebook**

<i>Sr. No.</i>	<i>Reference</i>	<i>Procedures</i>	<i>Findings based on procedures performed</i>
90	AML-12.1.15	Check that the Capital Market Service Provider has maintained an effective segregation of functions and responsibilities, between different individuals and departments, such that the possibility of financial crime is reduced and that no single individual is able to initiate, process and control a transaction.	
91	AML-12.1.6	Check that the Capital Market Service Provider has provided regular training to their management and staff, to make them aware of potential fraud risks.	