

## AML CFT Policy and Procedure

### A LuLu Exchange guideline document

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20-04-2014

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Controller

MLRO/CO

Owner

Board of Directors

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# Revision History

Date	Version	Author	Comments (including Review History)
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20/04/2015	V 1.4	Peregrino Rodrigues	Approved document post periodic review.
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# AML CFT Policy and Procedure

## A.1 Summary

<b>Purpose</b>	The purpose of this policy is to abide by the rules laid down by the Central Bank of Bahrain (CBB) & AML Law and to assist the authorities in combating Money Laundering and Financing of Terrorism
<b>Scope</b>	These procedures apply to all types of transactions, i.e. remittances, foreign currency transactions including Foreign Currency Exchange, Traveller's Cheques, Demand Draft, Fund Transfers, Inward remittances, Instant Money Transfers, or other products introduced from time to time. Furthermore, the policy also applies to all our branches and subsidiaries operating both in the Kingdom of Bahrain and in foreign jurisdiction. Where local standard differs, the higher standard shall be followed
<b>Functional Responsibility</b>	The functional responsibility for this policy lies with the MLRO

## A.2 Related documents

<b>Policies</b>	POL_BH_Sanctions Policy
<b>Procedures</b>	AML_CFT procedures
<b>Work Instructions</b>	Compliance Investigations
<b>Forms</b>	Records per section 6
<b>Other</b>	N/A

## A.3 Definitions

Term or Acronym	Description
<b>AML</b>	<b>Anti-Money Laundering</b>
<b>BENEFICIAL OWNERSHIP</b>	Identify the beneficial owners of companies and businesses carrying out transactions and obtain satisfactory evidence of their identities. In order to carry out the obligations set out as above "ownership" and "control structure" of legal entities should be clearly understood. In the event of any person claiming to be acting on behalf of another, such a person must have proper legal authority to do so. Branch Compliance Officer should obtain a valid Power of Attorney specifically authorising the representative to do the transaction
<b>BOD</b>	<b>Board of Directors</b>
<b>CDD</b>	<b>Customer Due Diligence</b> – it is the process of collecting, evidencing, and verifying the customer transactional behavior.

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<b>CFT</b>	<b>Combating the Financing of Terrorism</b>
<b>EDD</b>	<b>Enhanced Due Diligence</b> – it is the method of collecting additional evidences and answers about a customer and or a transactions during an investigation procedure.
<b>KYC</b>	<b>Know Your Customer</b> - it is the process that the financial services providers and other regulated entities must perform in order to identify their customers (existing or prospecting), collect and record relevant information, static and professional/business related data.
<b>FATF</b>	<p><b>Financial Action Task Force</b> Is an Inter-Governmental body whose purpose is the development and promotion of policies, both at the national and international levels to combat Money Laundering. The FATF currently consists of 34 countries and two regional organizations. (The two regional organizations are: the European Commission and the Gulf Co-operation Council).Forty Recommendations of FATF have been established as the international standard for effective Anti-Money Laundering measures. FATF regularly reviews its members to check their compliance with these 40 recommendations (relating to Money Laundering &amp; Terrorist Financing) and also to suggest areas for improvement. FATF also identifies emerging trends and methods used to Launder Money and suggest measures to combat them.</p>
<b>MLRO/CO</b>	<b>Money Laundering Reporting Officer / Compliance Officer</b>
<b>OFAC</b>	<p><b>Office of Foreign Assets Control</b> It is an agency of the United States Department of the Treasury under the auspices of the Under Secretary of the Treasury for Anti-Terrorism and Financial Intelligence. OFAC administers and enforces economic and trade sanctions based on U.S foreign policy and national security goals against targeted foreign states, organizations, and individuals. The Specially Designated National List is a publication of OFAC which lists individuals and organizations with whom United States citizens and permanent residents are prohibited from doing business.</p>
<b>PEPs</b>	<p><b>POLICTIALLY EXPOSED PERSONS</b> “Politically Exposed Persons” mean individual who are, or have been, entrusted with prominent public functions in Bahrain or foreign country, such as Heads of State or government, senior politicians, senior management, judicial or military officials, senior executives of state owned corporations or important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to PEPs themselves. The definition is not intended to cover middle ranking or more junior officials in the foregoing categories. Bahraini PEPs would include all ministers, all MPs and all MPs, and all Ministry Officials with the rank of Undersecretary or above</p>
<b>SHELL BANKS</b>	A bank that is incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated a financial group
<b>STR</b>	<p><b>SUSPICIOUS TRANSACTION REPORT</b> A suspicious Transaction Report (STR) is a report regarding suspicious or potentially suspicious financial activity, filed with the Central Bank of Bahrain Compliance Directorate and the Financial Intelligence Unit of the Ministry of Interior.</p>
<b>TIPPING OFF</b>	Improper or illegal act of notifying a suspect that he or she is the subject of a Suspicious Transaction Report or is otherwise being investigated or pursued by the countries

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## B AML & CFT Policy Document

### B.1 Money Laundering & Terrorist Financing -An Overview

### B.2 Money Laundering

Money laundering is the process whereby criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities thereby avoiding prosecution, conviction and confiscation of the criminal funds. In simple words, it is a process through which dirty money is converted to clean money.

There are three stages of the money laundering process:

**Placement stage** – is the physical disposal of cash proceeds derived from illegal activity.

**Layering stage**– is the process of separating the illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the audit trail and provide anonymity.

**Integration stage** – is the provision of apparent legitimacy to criminally derived wealth. If the laundering process has succeeded, integration schemes place the laundered proceeds back into the economy in such a way that they re-enter the financial system and appear to be normal business funds.

The fight against money laundering is an evolving and never ending process. Money laundering not only harms the public as a whole, but it shakes the financial services industry. It is clearly in the best interest of the financial industry to take appropriate actions to prevent money laundering.

### B.3 Terrorist Financing

Terrorist financing includes any act of criminal design aimed at causing terror and endangering the safety and security of the society or exposing the people's lives and security to danger. Further it also includes any such acts that cause damage to environment, public or private properties or utilities or exposing natural resources to danger.

### B.4 Policy Statement

- ❖ To abide by the rules laid down by the Central Bank of Bahrain (CBB) & AML Law and to assist the authorities in combating Money Laundering and Financing of Terrorism.
- ❖ To ensure that company and its staff will not knowingly assist anyone to launder the proceeds of drugs sales, illegal businesses, embezzlement, terrorism or other acts prohibited by law and to effectively meet the requirements of “**Know Your Customer**” process.

The fight against Money Laundering and Terrorist Financing is a priority for LuLu International Exchange BSC (C). We recognize that this fight depends on team effort. We support major International Organizations, which collectively set and enforce standards for Anti-Money Laundering (AML) and Combating the financing of Terrorism (CFT) policies and programs such as FATF, UN, EU, OFAC (Office of Foreign Assets & Control), MENA-FATF, the Central Bank of Bahrain (CBB) and Local Regulatory Authority.



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The company prohibits remittances to charitable organizations, religious trusts, cross border gambling, sporting and social organizations and societies, as these activities exert a high transactional risk which we are NOT willing to accept. Any exceptions will be specifically referred to in this Policy & Procedures document.

The company believes that compliance should be assessed in terms of implementation and not simply concurrence with the policy standards or guidelines established. The company prohibits remittances to charitable organizations, religious trusts, cross border gambling, sporting and social organizations and societies.

We extend our co-operation to our Regulators in its entirety and aim to maintain the highest operating standards to safeguard the interest of our customers, our shareholders, our staff and the communities where we operate. In conducting business with due skill, care and diligence, the company seeks to always comply with both in letter and spirit of relevant laws, rules, regulation, codes and standards of good practice.

We aim to promptly address any irregularities that may arise, as we believe in transparency.

## B.5 “Know Your Customer Policy”

The policy is one of the most important tools for combating Money Laundering and Terrorist Financing. It helps to detect suspicious activity in a timely manner. It promotes compliance with all laws. It promotes safe and sound money transfer practices and minimizes the risk of our products being used for illegal activities.

We capture all the required details about the customer and the beneficiary before processing a transaction. We have made certain requirements as mandatory in our system regarding capturing of customer name, address, phone number, ID details, purpose of remittance, source of funds, beneficiary name, etc.

## B.6 Customer Acceptance Policy (CAP)

We have developed our standard internal policies and procedures on AML/ CFT based on the regulatory requirements of the Central Bank of Bahrain (CBB) and other International regulatory bodies. These procedures are undergoing frequent reviews and changes to be in line with continuous changing standards.

Customer Acceptance Policy (CAP) lays down the criteria for accepting a customer and execute transaction(s). LuLu International Exchange BSC (C) customer acceptance policy and relevant procedures are in line with the implementation of the regulatory framework and best practices, so as to avoid relationship with customers against whom sanctions are applied, or those who are facing charges for criminal activity, or those who may use the services for “money laundering” or other illegal activity.

LuLu International Exchange BSC (C) shall conduct due diligence of any person applying to do business with it. The staff should obtain satisfactory evidence of the original identity of physical or legal existence of persons before conducting transactions, on the basis of reliable documents or other resources, and record that identity and other relevant information related to the customer in their files. If a customer refuses to provide a valid, original identification document (residents) or passport (non-residents) for verification the transaction is refused.

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This means that the staff conducts the following:

- ❖ Physically inspection the original customer's identification document (ID).
- ❖ Check whether the customer is the person referred to in the identification document.
- ❖ Take reasonable steps to ensure that the customer's identification document is genuine (original), has a valid date, and contains all the necessary information for a proper verification.
- ❖ Ensure that the records of existing customers remain updated and relevant. In this respect, the customer identification details are requested to be verified every time the customer executes a transaction.

## C Policies & Procedures

### GENERAL POLICIES & PROCEDURES

Following is a list of procedures, which are strictly followed:

#### 1 Know Your Customer (KYC)

- LuLu International Exchange BSC (C) segregates customers into two main Categories:
  - a. Individual
  - b. Corporate
- **Customer Registration is mandatory for all types of transactions; both remittance transactions and foreign currency transactions.**
- All registered customers will be identified by a 'Customer Number'.
- All transactions of registered customer are grouped under customer number.
- The history of transaction executed by registered customers can be accessed at any point of time.
- The customer's name should be recorded exactly as detailed in the original identification document (ID).

#### 2 Registration

- The Cashier (FLA) shall collect the valid ID of the customer and key in the information on customer profile on the YOM system and once all information is updated on the required fields, shall print a copy of the registration form (Individual - Customer registration form) have it countersigned and collect a copy of the customer identities prescribed in **Exhibit – (A)** and attach it along with Customer Registration **Form No. 1**.
- Legal Entities or Legal Arrangement should fill in **Form No.2** (Corporate Customer Profile). Copy of the business registration certificate and other documents shall be attached along with Form No.2.
- Specially designated person through **Form No. 3** shall do modification and additions to Form No.1 and Form No. 2 at the respective branches.
- The customer should sign (Full Signature) in Form No. 1, 2 and 3 in the presence of designated officer.
- The concerned staff and the branch in-charge should countersign (marked as 'signature verified') the above documents.
- The original Form No. 1, 2 and 3 shall be arranged and filed/scanned. For Corporate Customers, forms 2 & 3 alongside the verified, countersigned copies of the originals should be

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kept in a separate file – marked as “Corporate Customers”. Any updates should also be filed in this file.

- Corporate Customer Profile (Form No. 2) should be verified and approved by higher authority (Area Manager, or GM) before registration and execution of a transaction

## 3 Customer Due Diligence (CDD)

Customer Due Diligence includes not only identification and verification of the customer but also a requirement to identify beneficial ownership and control of the customer and to conduct ongoing due diligence and scrutiny throughout the course of the business relationship. The customer due diligence process shall comprise the following:

### 3.1 General Requirements

#### 3.1.1 Verification of Identity and Source of Funds

The staff should apply CDD measures while:

- (a) carrying out one off or occasional transactions irrespective of amount;
- (b) establishing business relations with a new or existing customer;
- (c) a change to the signatory or beneficiary of an existing account or business relationship is made;
- (d) customer documentation standards change substantially;
- (e) there are any doubts about the veracity or adequacy of previously obtained customer due diligence information;
- (f) a significant transaction takes place;
- (g) there is a material change in the way that an account is operated or in the manner in which the business relationship is conducted; or
- (h) there is a suspicion of money laundering or terrorist financing.

Staff shall understand, and as appropriate, obtain information on the purpose and intended nature of the business relationship.

Staff shall conduct ongoing due diligence on the business relationship, including:

- (a) Scrutinizing transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the licensee’s knowledge of the customer, their business and risk profile, including, where necessary, the source of funds; and
- (b) Ensuring that documents, data or information collected under the CDD process is kept up-to-date and relevant, by undertaking reviews of existing records, particularly for higher risk categories of customers.

#### 3.1.2 Verification of Third Parties

- The staff should obtain signed statement from all customers carrying out one off or occasional transactions confirming whether or not the customer is acting on their own capacity or on behalf of a third party. This undertaking must be obtained prior to conducting any transactions with the customer concerned.
- Where the customer is acting on behalf of a third party, a signed statement (Letter of Representation – **Form No. 4** for Natural Person and **Form No. 5** for Legal Person) is obtained

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from the third party, confirming they have given authority to the customer to act on their behalf. Where the third party is a legal person the original board resolution (or other applicable documents) authorising the customer to act on the third party's behalf must be signed and retain a certified copy. The staff must obtain a signed statement from all new customers confirming whether or not the customer is acting on their own behalf or not.

- The staff should establish and verify the identity of the customer and (where applicable) the party / parties on whose behalf the customer is acting, including the beneficial owner of the funds.
- In case of minors, a Letter of Representation should be provided by a parent or legal guardian. Staff should additionally verify the identity of the parents(s) or legal guardian(s). Where a third party on behalf of a person lacking full legal capacity wishes to open business relations, staff must establish the identity of that third party as well as the person conducting the business.

## 3.1.3 Anonymous and Nominee Accounts

- LuLu International Exchange BSC (C) shall not establish or keep anonymous accounts or accounts in fictitious names.
- Where LuLu International Exchange BSC (C) maintains a nominee account, which is controlled by or held for the benefit of another person, the identity of that person shall be obtained and verified.

## 3.1.4 Timing of Verification

LuLu International Exchange BSC (C) shall not commence a business relationship, or undertake a one-off transaction with a customer before completion of the relevant customer due diligence measures. The CDD measures include all the KYC procedures, verification by phone of a company owner and appointment of a representative (where applies), and the formal customer registration in the system.

## 3.1.5 Incomplete Customer Due Diligence

Where the staff is unable to comply with the customer due diligence and verification requirements specified above, they should NOT proceed with the transaction unless assessing the relevant risks. If they proceed with the transaction, then the approval of the BIC is required, but even if they decide not to proceed with the transaction they should as well consider whether they should file an ISTR.

See also Chapter 7, which covers the filing of suspicious transaction reports. Regarding the return of funds to the counterparty, if funds are received in cash, funds should be returned in cash. If funds are received by wire transfer, they should be returned by wire transfer.

## 3.2 Face-to-Face Business

### Natural Persons

- (1) If the customer is a natural person, staff should obtain and record the following information, before providing any financial services:
  - (a) Full Legal Name and any other names used;
  - (b) Full Permanent Address (i.e. the residential address of the customer; **a post box is insufficient**);
  - (c) Date and Place of the birth;

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- (d) Nationality;
- (e) Passport number (if the customer is a passport holder);
- (f) CPR or residence permit 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;
- (k) Signature of the customer (s); and
- (l) Source of funds

(For a natural person, the FLA (cashier) should collect the original source of funds document for our KYC file. In case customer requires the source of fund document back, only on exceptional cases and based on a genuine request, staff should write transaction information such as the amount of transaction, date of transaction, company seal, and signature of cashier on back of the source of fund document and scan both the side of the source of fund document along with the endorsement for compliance review. Later cashier will take a copy of the same and attach along with transaction documents.)

- (2) The staff should verify the information provided by the customer by following methods below; at least one of the copies of the identification documents mentioned below in (a) and (b) must include a clear photograph of the customer:
  - (a) confirmation of the date of birth and legal name, by taking a copy of a current valid official original identification document (e.g. birth certificate, passport, CPR or residence permit number);
  - (b) confirmation of the permanent residential 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 licensee; and
  - (c) where appropriate, direct contact with the customer by phone, letter or email to confirm relevant information, such as residential address information.
- (3) Any document copied for the purpose of identification verification must be an original. The staff must certify the copy, by writing on it the words 'original sighted', together with the date and his signature. Equivalent measures shall be taken for electronic copies.
- (4) Identity documents which are not obtained by an authorised staff of the company in original form (e.g. due to a customer sending a copy by post following an initial meeting) should instead be certified by one of the following from a GCC or FATF member state:
  - (a) A lawyer;
  - (b) A notary;
  - (c) A chartered/ certified accountant;
  - (d) An official of a government ministry;
  - (e) An official of an embassy or consulate; or
  - (f) An official of another licensed financial institution
- (5) The individual making the certification should give clear contact details (e.g. by attaching a business card or company stamp). The MLRO should verify the identity of the person providing the certification through checking membership of a professional organisation (for lawyers or accountants), or through checking against databases/websites, or by direct phone or email contact.

## Legal Entities or Legal Arrangements (such as trusts)

- (1) If the customer is a legal entity the staff should obtain and record the following information from original identification documents, databases or websites, in hard copy or electronic form, identify the customer and to take reasonable measures to verify its identity, legal existence and structure:
  - (a) The entity's full name and other trading names used;

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- (b) Registration number (or equivalent);
  - (c) Legal Form **and proof of existence**;
  - (d) Registered address and trading address **(where applicable)**;
  - (e) Type of business activity;
  - (f) Date and Place of Incorporation or establishment;
  - (g) Telephone, fax number and email address;
  - (h) Regulatory Body or listing body (for regulated activities such as financial services and listed companies);
  - (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;
  - (l) Names of authorized signatories of cheques (other than the above); and
  - (m) Sources of funds.
  - (n) Real source of funds, based on undisputable evidence, e.g. invoice, sales ledger, sales contract, statement of account etc.
- (2) The information provided should be verified by obtaining certified copies of the following documents which should be attached with the Registration form.
- (a) Certificate of incorporation and /or certificate of commercial registration or trust deed.
  - (b) Memorandum of Association;
  - (c) Articles of association;
  - (d) Partnership agreement;
  - (e) Board resolution seeking financial services (only necessary in the case of private or unlisted companies);
  - (f) Identification documentation of authorized signatories of the account. (Certification not necessary for companies listed in a GCC/FATF state);
  - (g) Copy of the latest financial report and accounts, audited where possible (audited copies do not need to be certified); and
  - (h) List of persons authorised to do business on behalf of the company and in the case of the opening of an account, a board resolution (or other applicable document) authorising the named persons to operate the account (resolution only necessary for private or unlisted companies).
  - (i) List of persons authorised to do business on behalf of the company and in the case of the opening of an account, a board resolution (or other applicable document) authorising the named persons to operate the account (resolution only necessary for private or unlisted companies)

**For Customers that are legal persons Lulu International Exchange BSC (c) shall identify and take reasonable measures to verify the identity of beneficial owners through the following information:**

- a) The identity of the natural person(s) who ultimately have a controlling ownership interest in a legal person, and**
- b) To the extent that there is doubt under (a) as to whether the person(s) with the controlling ownership interest in 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.**

The requirement to obtain a certified copy of the commercial registration, may be satisfied by obtaining a commercial registration abstract printed directly from the Ministry of Industry, Commerce and Tourism's website, through "SIJILAT Commercial Registration Portal".

- (3) Documents obtained to satisfy the requirements above should be certified in a manner as mentioned in clauses 3.2.1.3 to 3.2.1.5.

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- (4) The documentation requirements mentioned in clause 3.2.2 do not apply in the case of FATF/GCC listed companies.
- (5) The MLRO should obtain, verify and approve before the execution of the first transaction, and document the following due diligence information:
  - (a) Enquire as to the structure of the legal entity or trust sufficient to determine and verify the identity of the ultimate beneficial owner of the funds, the ultimate provider of funds (if different), and the ultimate controller of the funds (if different);
  - (b) 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 to in the case of FATF/GCC listed companies;
  - (f) In 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 there is reasonable grounds for questioning the authenticity of the information supplied by a customer, conduct additional due diligence to confirm the above information.
- (6) In the case of employee benefit trusts and occupational savings schemes, the licensee must establish the identity of the settlor and trustee as required in 3.2.2 (5) (f), but may rely upon the settlor to maintain the identity information of the beneficiaries, subject to written confirmation from the settlor that such information has been collected.
- (7) For the purposes of Paragraph 3.2.2 (1), acceptable means of undertaking such due diligence might include taking bank references; visiting or contacting the company by telephone; undertaking a company search or other commercial enquiries; accessing public and private databases (such as stock exchange lists); making enquiries through a business information service or credit bureau; confirming a company's status with an appropriate legal or accounting firm; or undertaking other enquiries that are commercially reasonable.

## 3.3 Enhanced Customer Due Diligence General Requirements

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

Few examples of high risk customers are:

- High net worth Individuals (HNWI)
- Non Resident customers
- Jewellers
- From locations known for their high rates of crime (e.g. Drug producing, Trafficking, smuggling, etc)
- Countries or jurisdictions with inadequate AML/ CTF laws and regulations such as the Non cooperative Countries and Territories (NCCT)
- Politically Exposed Persons (PEP's)
- Cash based businesses
- Unregulated industries

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- Dealers in precious metals and stones
- Dealers in real estate
- Dealers in luxury goods
- Auction houses
- Dealers in second hand / used vehicles.

The additional information referred above might include documents (either hard copy or electronic format) relating to the following:

- (a) Evidence of a person's permanent address through the use of a credit reference agency search or through independent verification by home visit;
- (b) A personal reference (e.g. by an existing customer);
- (c) Another licensed entity's reference and contact with the concerned licensee regarding the customers;
- (d) Documentation outlining the customer's source of wealth;
- (e) Documentation outlining the customer's source of income;
- (f) Independent verification of employment, or public position held.

## 3.4 Enhanced Customer Due Diligence: Non-face-to-face business and New Technologies

1. LuLu International Exchange BSC (C) does not generally deal with non-face-to-face business, or where a business is not directly approaching our premises.
2. However, where no face to face contact takes place, LuLu International Exchange BSC (C) shall take additional measures, in order to mitigate the potentially higher risk associated with such business. In particular, the company shall follow the below measures:
  - (a) to ensure that the customer is the person they claim to be; and
  - (b) to ensure that the address provided is genuinely the customer's.
3. For financial services provided via post, telephone or internet the customer is required to visit any of the LuLu International Exchange BSC (C) branches to complete the customer due diligence procedures before they can use the services.
4. LuLu International Exchange BSC (C) also shall ensure that they comply with any e-commerce Laws and / or CBB Modules issued from time to time.

Staff must identify and assess the money laundering or terrorist financing risks that may arise in relation to:

- (a) The development of new products, business practices or the use of new or developing technologies.
- (b) The use of new or developing technologies for both new and pre-existing products.

For purposes of above Paragraph, such a risk assessment must take place prior to the launch of the new products, business practices or the use of new or developing technologies. Staff shall take appropriate measures to manage and mitigate those risks.

## 3.5 Enhanced Customer Due Diligence: Politically Exposed Person ("PEPs")

1. PEPs are individuals who are, or have been, entrusted with prominent public functions in Bahrain or a foreign country, such as Heads of State or government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations or important political party officials.



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2. Bahraini PEPs would include all Ministers, all MPs, and all Ministry officials with the rank of Undersecretary or above. Any customer names or titles that include the following, but not limited to, should be checked against the PEP List and approval from senior management obtained before providing any services:
  - H.E.
  - SH
  - Minister
  - Undersecretary
  - Ambassador
3. Business relationship with PEPs, their family members or close associates require enhanced due diligence to the reputational risk involved in dealing with such customers.
4. Approval must be obtained from the Managing Director, CEO or General Manager before a PEP is accepted as a customer.
5. For PEPs the following enhanced monitoring and customer due diligence measures are applied:
  - (a) 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;
  - (b) Development of a profile of anticipated customer activity, to be used in on-going monitoring;
  - (c) Approval of the Managing Director, CEO or General Manager for allowing the customer relationship to continue; and
  - (d) Ongoing monitoring of the PEPs transactions by the MLRO
  - (e) Analysis of complex financial structures, including trusts, foundations or international business corporations

## 3.6 Enhanced Customer Due Diligence: Charities, Clubs and Other Societies

- A) As per CBB Rule FC 6.1, Financial services must not be provided to charitable funds and religious, sporting, social, cooperative and professional and other societies, before 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) has been obtained. Money changers are allowed to conduct business with charities without a certificate where payment is made by a cheque drawn on a bank licensed in Bahrain.
- B) Charities should be subject to enhanced transaction monitoring. Money changers should develop a profile of anticipated activity (in terms of payee countries and recipient organisations in particular).
- C) Money changers must provide a monthly report of all payments and transfers of BD 3,000 (or equivalent in foreign currencies) and above performed on behalf of charities registered in Bahrain. The report must be submitted to the CBB's Compliance Directorate (see Section 7.3 for contact address), giving details of the amount transferred, Name of charity, number and beneficiary name account and bank details. Licensees must ensure that such transfer are in accordance with the spending plans of the charity (in terms of amount, recipient and country).
- D) Article 20 of Decree Law No. 21 of 1989 (issuing the Law of Social and Cultural Societies and Clubs and Private Organizations Operating in the Area of Youth and Sport and Private Institutions) provides that money changer licensees may not accept or process 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 has been obtained by the concerned bank.
- E) The receipt of a Ministry letter mentioned in Paragraph D above does not exempt the concerned money changer from conducting normal CDD measures as outlined in other parts of this Module.
- F) The receipt of a Ministry letter mentioned in Paragraph D above does not exempt the concerned

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money changer from conducting normal CDD measures as outlined in other parts of this Module.

Considering the risk involved in this transaction the Company decided to not provide services to charitable funds and religious, sporting, social, cooperative, professional societies, Social and Cultural Societies, Clubs and Private Organizations Operating in the Area of Youth and Sport and Private Institutions.

1. Financial services must not be provided to charitable funds and religious, sporting, social, cooperative and professional societies as charities and non-profit organisations are lightly regulated and do not have to justify their commercial activity they are often used as vehicles for money laundering and terrorist financing. Therefore, payments to such organisations are high risk and it is the company policy not to deal with them.
2. The following measures are applied:
  - (a) Remittance services are not provided to charities or non-profit organisations.
  - (b) Remittances are not sent to charities or non-profit organisations on behalf of a customer.

## 3.7 Introduced Business from Professional Intermediaries

A licensee may only accept customers introduced to it by other financial institutions or intermediaries, if it has satisfied itself that the introducer concerned is subject to FATF-equivalent customer due diligence measures. Where licensees delegate part of the customer due diligence measures to an introducer, the responsibility for meeting the requirements of Chapters 1 and 2 remains with the licensee, not the introducer.

1. LuLu International Exchange BSC (C), shall only accept introduced business if the following conditions are satisfied:
  - (a) the customer due diligence measures applied by introducer are consistent with those required by the FATF Recommendations;
  - (b) a formal agreement is in place defining the respective roles of LuLu International Exchange BSC (C) and the introducer in relation to customer due diligence measures and shall also cover the customer due diligence measures of the introducer will comply with the FATF Recommendations;
  - (c) the introducer is immediately able to provide all relevant data/information pertaining to the customer's, the identity of the customer and beneficial owner of the funds (where different), the purpose of relationship and, where applicable, the party/ parties on whose behalf the customer is acting; also, the introducer has confirmed that the LuLu International Exchange BSC (C) will be allowed to verify the customer due diligence measures taken 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 40 recommendations have been followed and the 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 LuLu International Exchange BSC (C) and that these documents will be kept for at least 10 years after the business relationship has ended.
2. LuLu International Exchange BSC (C) shall perform periodic reviews ensuring that any introducer on which it relies is in compliance with FATF Recommendations. Where the introducer is resident in another jurisdiction, LuLu International Exchange BSC (C) must also perform periodic reviews to verify whether the jurisdiction is in compliance with the FATF 40 Recommendations.
3. If LuLu International Exchange BSC (C) is not satisfied that the introducer is in compliance with the requirements of the FATF 40 Recommendations, then LuLu International Exchange

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BSC (C) shall conduct its own customer due diligence on introduced business or not accept further introductions or discontinue the business relationship with the introducer.

## 3.8 Shell Banks

1. LuLu International Exchange BSC (C) **shall NOT** 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”).
2. LuLu International Exchange BSC (C) **shall NOT** knowingly establish relations with financial institutions that have relations with shell banks.
3. LuLu International Exchange BSC (C) shall make a suspicious transaction report to the Financial Intelligence Unit and the Compliance Directorate if are approached by a shell bank or institution suspected of being a shell bank.

## 3.9 Cross Border Cash Transactions Equal to and above BD 6,000 by Courier

1. Cash amounts equal to and above the BD 6,000 (or its equivalent in foreign currency threshold coming into Bahrain via courier must be accompanied by original documentation stating the source of funds and identity of the originator of the funds. The documentation must state the full name and address of the beneficiary of the funds and must be signed by an authorised representative of the originator of the cash.
2. In case of incoming cash, the courier must carry original documentation signed by the originator stating whether the cash shipment is for local use or onward transmission.
3. If the imported cash is for onward transmission, the original documentation must provide the full name and address of the final beneficiaries, as well as the local recipient.

## 3.10 Simplified Customer Due Diligence

1. LuLu International Exchange BSC (C) shall apply simplified customer due diligence, if:
  - (a) The transaction is a one-off or occasional transaction not exceeding BD 350 (or equivalent in other currencies), or related transactions NOT exceeding BD 350;
  - (b) The transaction is a wire transfer below the equivalent of USD 1,000;
  - (c) The customer is a company listed on a GCC or FATF member state stock exchange with equivalent disclosure standards to those of a Bahrain Stock Exchange ('BSE');
  - (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;
  - (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;
  - (f) The customer is the Central Bank of Bahrain ('CBB'), Bahrain Stock Exchange ('BSE') or a licensee of the CBB; or
  - (g) The customer is a Ministry of Gulf Cooperation Council ('GCC') or Financial Action Task Force ('FATF') member state government, a company in which a GCC Government is a majority shareholder, or a company established by decree in the GCC.
2. For customers falling under categories (c) to (g) mentioned in clause 3.10.1, the information required under clause 3.2.1 (1) (for natural persons) or 3.2.2 (1) (for legal entities) must be obtained. However, the verification, certification and due diligence requirements in clause 3.2.1(2), 3.2.1(4), 3.2.2(2), 3.2.2(3) & 3.2.2(5) may be dispensed with.

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3. For customers falling under categories (a) or (b) in clause 3.10.1, the customer name and contact information must be recorded. However, the verification, certification and due diligence requirements in clause 3.2.1 (2), 3.2.1 (4), 3.2.2 (2), 3.2.2(3) & 3.2.2(5) may be dispensed with. However, as a matter of prudence it is recommended that the customer's identification document be checked and the ID number recorded wherever possible.
4. LuLu International Exchange BSC (C) shall apply simplified due diligence measures for categories (c) to (g) in clause 3.10.1, must retain documentary evidence supporting their categorisation of the customer.
5. LuLu International Exchange BSC (C) shall use authenticated SWIFT messages as a basis for confirmation of the identity of a financial institution falling under categories (d) and (e) under clause 3.10.1.
6. For customers coming under categories (d) and (e) in clause 3.10.1, LuLu International Exchange BSC (C) shall also obtain and retain a written statement from the parent financial institution of the subsidiary concerned, confirming that the subsidiary is subject to the same AML/CFT measures as its parent.
7. Simplified customer due diligence measures should not be applied 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.
8. Simplified customer due diligence measures should not be applied where it is known or there is reason to suspect that transactions are linked, such that they exceed the thresholds specified in clause 3.10.1(a) and (b).

## 4 AML/CFT Systems and Control

### 4.1 General Requirements

LuLu International Exchange BSC (C) shall implement programmes against money laundering and terrorist financing and take reasonable care to establish and maintain appropriate systems and controls for compliance with the requirements of the Financial Crime Regulations which limit their vulnerability to financial crime.. These systems and controls shall be documented, approved and reviewed annually by the Board of Directors.

### 4.2 Ongoing Customer Due Diligence & Transactions Monitoring

#### 4.2.1 Risk Based Monitoring

LuLu International Exchange BSC (C) evaluates and segments its customers as per the risk criteria and based on risk perception decide on acceptance of the customer. In the frame of risk based approach, risk has been categorised into three; customer, product/service risk and country/region risk.

- (a) Type of customer – whether an individual or corporate, PEP, etc.
- (b) Type of transaction/ product used
- (c) Geographical location of the remitter and the beneficiary

LuLu International Exchange BSC (C) adopts a risk-based approach to check whether certain remittances may be suspicious taking into account such factors as the relationship with the beneficiary, the destination and amount of the remittance, etc. In determining the risk profile of a particular customer or type of customer, it takes into account factors such as:

- (a) Origin of the customer (e.g. place of birth, residency, etc.), the place where the customer's business is established, the location of the counterparties with which the

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customer conducts transactions and does business, and whether the customer is otherwise connected with certain jurisdictions such as Non Cooperative Countries and Territories (NCCTs) designated by the FATF.

- (b) Background or profile of the customers such as being, or linked to, a politically exposed person.
- (c) Nature of the customers' business, which may be particularly susceptible to **money laundering risk**.
- (d) Any other information that may suggest that the customer is of higher risk.

For high risk customers, LuLu International Exchange BSC (C) shall conduct Enhanced Due diligence.

## 4.2.2 Automated Transaction Monitoring

- (1) LuLu International Exchange BSC (C) has an automated transaction surveillance system as part of risk-based monitoring system to spot the abnormal or unusual flows of funds.
- (2) In addition to the automated risk based monitoring system all transactions above BD 6,000 shall be captured in a daily report and shall be monitored by the MLRO or Deputy MLRO, and these records shall be retained for a minimum period of 10 years after the date of transaction.

## 4.2.3 Unusual Transactions or Customer Behaviour

- (1) Where company's risk based monitoring, systems identify significant or abnormal transactions, it shall verify the source of funds for those transactions, particularly where the transactions are above the occasional transactions threshold of BD 350.
- (2) Furthermore, MLRO should examine the background and purpose to those transactions and document their findings. In case of off one –off transactions where there is no ongoing account relationship, the MLRO should file an STR if it is unable to verify the source of funds to its satisfaction.
- (3) The investigations required should be carried out by the MLRO or Deputy MLRO and the documents relating to these findings should be maintained for 10 years from the date when the transaction was completed.
- (4) MLRO should consider instances where there is a significant, unexpected or unexplained change in customer activity.
- (5) When the existing customer closes one account and opens another, the staff should review its customer identity information and update its records accordingly. Where the information available is fall short of the requirements, the missing or out of date information must be obtained and re-verified with the customer.

## 4.2.4 Maintaining Documentation and On-going Monitoring

- (1) LuLu International Exchange BSC (C) shall take reasonable steps to:
  - a. Scrutinize transactions undertaken throughout the course of that relationship to ensure that transactions being conducted are consistent with the licensee's knowledge of the customer, their business risk and risk profile; and
  - b. Ensure that they receive and maintain up-to-date and relevant copies of the identification documents specified in Chapter 3 (CDD), by undertaking reviews of existing records particularly for higher risk categories of customers.. LuLu International Exchange BSC (C) should require all customers to provide up-to-date identification documents in their standard terms and conditions of business.
- (2) LuLu International Exchange BSC (C) shall review and update customer due diligence information at least every three years, particularly for higher risk categories of customers. If

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upon, performing such a review, copies of identification documents are more than 12 months out of date, the Company shall take steps to obtain updated copies as soon as possible.

## 5 Money Transfers and Alternative Remittances

### 5.1 Electronic Transfers:

#### 5.1.1 Outward Transfers

- (1) The staff should ensure that all required 'originator information' details are included in all inward and outward transfers made by the customer:  
Originator information shall include the following:
  - (a) The name of the payer;
  - (b) The address of the payer; and
  - (c) The unique customer or transaction or account number of the payer.
- (2) Non-routine transfers shall not be batched, if batching increases the risks of money laundering or terrorist financing. This obligation does apply where the transfer is made by a licensee acting as principal or acting on behalf of another Licensee as principal such as in the case of payment of spot FX transactions.

#### 5.1.2 Inward Transfers

LuLu International Exchange BSC (C) should:

- (a) maintain records of all originator information received with an inward transfer; and
- (b) carefully scrutinise inward transfers which do not contain originator information, are presumed to be "suspicious transaction" and passed to the MLRO for review for determination as to possible filing of an STR, unless:
  - (i) the sending institution is able to promptly (i.e. within two business days) advise in writing of the originator information upon request;
  - (ii) the sending institution is acting on their own behalf; or
  - (iii) the inward transfer is below US \$1,000 or equivalent in other currencies.

#### 5.1.3 Remittances on Behalf of other Money Transferors

- (1) Where services of another Authorised Money Transferors are used to effect the transfer of funds for a customer to a person or organisation in another country, the following records should be maintained:
  - (a) The identity of its customer(s).
  - (b) The exact amount transferred for each such customer.
- (2) LuLu International Exchange BSC (C) shall transfer funds for customers only through Authorised Money Transferor.

## 6 Money Laundering Reporting Officer (MLRO)

### 6.1 Appointment of MLRO

1. MLRO shall be appointed by the Board of Directors only after it is approved by the Central Bank of Bahrain.

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2. The position of MLRO should not be combined with functions that create potential conflicts of interest, such as an internal auditor or business line head and is not outsourced.
3. A Deputy MLRO shall also be appointed by the Board of Directors only after it is approved by the CBB to act for the MLRO in his absence. The Deputy MLRO shall be resident in Bahrain unless otherwise agreed with the CBB.
4. LuLu International Exchange BSC (C) shall ensure that the MLRO :
  - (a) is a member of senior management ;
  - (b) has sufficient level of seniority within the organisation, has the authority to act without interference from line management and has direct access to the board and senior management where necessary;
  - (c) has sufficient resources, including sufficient time and support staff, and has designated a replacement to carry out the function should the MLRO be unable to perform his duties;
  - (d) has unrestricted access to all transactional information relating to any financial services provided to a customer, or any transactions conducted by the organisation on behalf of that customer;
  - (e) is provided with timely information needed to identify, analyse and effectively monitor customer accounts;
  - (f) has access to all customer due diligence information obtained;
  - (g) is resident in Bahrain

In addition, LuLu International Exchange BSC (C) shall ensure that MLRO is able to:

- (h) monitor the day to day operations of company's policies and procedures;
  - (i) respond promptly to any reasonable request for information made by the Financial Intelligence Unit or CBB
5. If the position of MLRO falls vacant, the Board of Directors should appoint a permanent replacement (after obtaining CBB approval), within 120 calendar days of the vacancy occurring. Pending the appointment of a permanent replacement, Board of Directors must make immediate interim arrangements to ensure continuity in the MLRO functions. These interim arrangements shall be done only once approved by the CBB.

## 6.2 Responsibilities of the MLRO

The MLRO is responsible for:

- (a) establishing and maintaining the company's AML/CFT policies and procedures;
- (b) ensuring that the company complies with the AML Laws and any other applicable AML/CFT legislation and CBB Financial Crime Rulebook
- (c) ensuring day to day compliance with the company's own internal AML/CFT Policies and procedures;
- (d) acting as the company's main point of contact in respect of handling internal suspicious transaction reports from the organisations staff and as the main contact for Financial Intelligence Unit, the CBB and other concerned bodies regarding AML/CFT;
- (e) making external suspicious transaction reports to the Financial Intelligence Unit and Compliance Directorate;
- (f) taking reasonable steps to establish and maintain adequate arrangements for staff awareness and training of AML/CFT matters (whether internal or external);
- (g) producing annual reports on the effectiveness of the company's AML/CFT controls, for consideration by senior management;
- (h) ongoing monitoring of what may, in his opinion, constitute high risk customer accounts; and
- (i) Ensure that the company maintain all necessary CDD, Transactions, STR and staff training records for the required periods

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## 6.3 Compliance Monitoring

### 6.3.1 Annual Compliance Review

Lulu International Exchange and all its Staff shall take appropriate steps to identify and assess their money laundering and terrorist financing risks (for customers, countries, geographic areas; products, services, transactions or delivery channels). They must document those assessments in order to be able to demonstrate their basis, keep these assessments up to date, and shall have appropriate mechanisms to provide risk assessment information to the CBB. The nature and extent of any assessment of money laundering and terrorist financing risks should be appropriate to the nature and size of the business.

Staff should always understand their money laundering and terrorist financing risks, but the CBB may determine that individual documented risk assessments are not required, if the specific risks inherent to the sector are clearly identified and understood.

- (1) LuLu International Exchange BSC(C) shall review the effectiveness of the company's AML/CFT procedures, systems and controls at least once each year and shall cover Head Office and all branches inside the kingdom of Bahrain. The scope of the review should include:
  - (a) A report, containing the number of internal reports made, a breakdown of all the results of those internal reports and their outcomes and an analysis of whether controls or training need to be enhanced;
  - (b) A report, indicating the number of external reports made and where an internal report has been made but an external report has not, noting why no external report was made;
  - (c) A sample test of compliance with the Financial Crime Regulation's customer due diligence requirements; and
  - (d) A report as to the quality of the company's anti money laundering procedures, systems and controls and compliance with the AML Law and the Financial Crime Regulations.
- (2) The report listed in 6.3.1 (1) (a) & (b) should be made by MLRO. The sample testing 6.3.1 (1) (c) should be undertaken either by Internal Auditor, its external auditor or a consultancy firm approved by the CBB. The report mentioned under 6.3.1 (1) (d) should be made by the company's external auditor or consultancy firm approved by the CBB.
- (3) The Annual Compliance Review reports should be submitted to the Board of Directors, for it to review and commission any required remedial measures and copied to the company's senior management.
- (4) The Annual Compliance Review report shall be submitted to the CBB by 30<sup>th</sup> April of the following year. The findings of this review should be received and acted upon by the company.
- (5) All four reports should be submitted to the Director, Compliance Directorate of the CBB by the 30<sup>th</sup> April of the following year.

## 7 Suspicious Transaction Reporting

### 7.1 Internal Reporting

1. It is the duty of all staff / officers to report suspicious and unusual transactions to the MLRO. Please refer **Exhibit-(B)**.
2. When an employee identifies a transaction to be suspicious, he/she should report his suspicions to the Branch Compliance Officer (BCO). The BCO will then investigate and then forward their Internal Suspicious Transaction Reports (ISTR) along with his findings to the MLRO. The MLRO



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(or relevant delegated officials) will investigate and if found suspicious, will report the case to the CBB.

3. The MLRO should maintain records of all Internal Suspicious Transaction Reports (ISTRs) for a minimum period of 10 years and records relating to those reports and/or of any action taken as a consequence.
4. Failure to report suspicious and unusual transaction to the MLRO shall attract legal and disciplinary action.

## 7.2 External Reporting

1. MLRO shall take reasonable steps and investigate all STRs received and reports any which, in their opinion, have reasonable grounds for suspicion to relevant authorities. Where no external report is made, the MLRO shall document reason.
2. To take reasonable steps means:
  - (a) Consider reports made in light of all relevant information accessible to or reasonably obtainable by the MLRO;
  - (b) Provide MLRO to have access to any information, including know your customer information; and all other information in the company's possession which could be relevant; and
  - (c) 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 made shall not be subject to the consent or approval of any other person.
3. Reports to the relevant authorities shall be sent to the Financial Intelligence Unit (Directorate) at the Ministry of Interior, and CBB's Compliance Directorate using the Suspicious Transaction Reporting Online System (Online STR System).
4. LuLu International Exchange BSC (C) shall report all suspicious transactions or attempted transaction. This reporting requirement applies regardless of whether the transaction involves tax matters.
5. The MLRO should retain all relevant details of STRs submitted to relevant authorities, for a minimum period of 10 years.
6. In accordance with the AML Law, Company's directors, officers and employees should not warn or inform ("tipping off") their customers, the beneficial owner or other subjects of the STR when information relating to them is being reported to the relevant authorities.

## 7.3 Contacting the Relevant Authorities

Reports made by the MLRO or his duly authorised delegate should be sent electronically using the Suspicious Transaction Reporting Online System (Online STR system).

### **Financial Intelligence Directorate (FID)**

General Directorate of Anti Corruption and Economic and Electronic Security  
Ministry of Interior  
P.O. Box 26698  
Manama, Kingdom of Bahrain  
Telephone: + 973 17 749397  
Fax: + 973 17 715502  
E-mail: [bahrainfid@moipolice.bh](mailto:bahrainfid@moipolice.bh)

### **Director of Compliance Directorate Central Bank of Bahrain**

P.O.Box 27  
Manama, Kingdom of Bahrain  
Telephone: 17547107  
Fax: 17535673  
E-mail: [Compliance@cbb.gov.bh](mailto:Compliance@cbb.gov.bh)

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## 8 Staff Training and Recruitment

### 8.1 Staff Training

1. LuLu International Exchange BSC (C) shall take 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:
  - (a) General information: background and history pertaining to money laundering controls, what is money laundering and terrorist financing, stages of money laundering, why do criminals launder money and the necessity to combat the money laundering & terrorist financing issues.
  - (b) Responsibilities of the employees under the AML Law, Financial Crimes Law and any other relevant AML/CFT laws and regulations;
  - (c) Identity and responsibilities of the MLRO and his deputy;
  - (d) Current internal AML/CFT policies and procedures;
  - (e) Potential consequences, both individual and corporate, of any breach of AML Law, and any other relevant AML/CFT laws or regulations;
  - (f) Money laundering and terrorist financing typologies and trends;
  - (g) Procedure for reporting of suspicious transactions
  - (h) Ways to identify suspicious transactions.
  - (i) Customer due diligence measures with respect to establishing business relations with customers
  - (j) Record archiving
2. Training program for all LuLu International Exchange BSC (C)staff shall be conducted as follows:
  - (a) Induction on AML/CFT, compulsory for all new recruits within 3 months of joining
  - (b) For all Branch Compliance Officer's once in 6 months'
  - (c) For all other employees once in a year
  - (d) Training Evaluation Exam shall be conducted for new recruits, and current employees.
  - (e) New recruits shall be trained prior to starting their Job responsibilities.
3. The MLRO at the Head Office is also required to maintain records showing the dates when Anti-Money Laundering training was given, the nature of the training and the names of the staff who received the training.

### 8.2 Staff Recruitment

The Human Resource Department shall check the antecedence of all new employees by checking their references. Perform background checks on all past and present LuLu International Exchange Co Employees. All future and current employees will sign a form allowing the company to investigate into the background of the employees, if needed.

## 9 Record Keeping

The objective of record keeping is to ensure that we are able to provide basic information about customers and to reconstruct individual transactions undertaken at any given time as per the request of the relevant authorities.

### 9.1 General Requirements

#### 9.1.1 Customer Due Diligence (CDD) and Transaction Records

# AML CFT Policy and Procedure

Lulu International Exchange shall comply with the record keeping requirements contained in the AML Law and in the CBB Law. The Company shall maintain the 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 transaction).

- (1) Transaction records shall be kept for a minimum period of 10 years and made available to the relevant authorities as and when demanded.
- (2) Registration documents (Form No. 1, 2 & 3) should be kept at least for a period of 10 years after the last known transaction with the company. The documents may be retained in original form or stored electronically.

## 9.1.2 Compliance Records

- (1) LuLu International Exchange BSC (C) shall retain copies of the reports produced for the annual compliance review for a minimum period of 10 years.
- (2) LuLu International Exchange BSC (C) should also maintain reports made to or by, the MLRO and the records showing how these reports were dealt with and what action, if any, was taken as a consequence of those reports.

## 9.1.3 Training Records

All training records shall be maintained for at least 10 years.

# 10 AML & CFT Measures

## 10.1 Special Measures for Non-Cooperative Countries or Territories ('NCCT')

1. LuLu International Exchange BSC (C) shall give special attention to any dealing with entities or persons domiciled in countries or territories which are:
  - a) identified by FATF as being "non-cooperative" or
  - b) identified by FATF as countries having strategic anti money laundering and countering the financing of terrorism deficiencies as per FATF public statement; or
  - c) notified by CBB from time to time
2. Whenever transactions with such parties have no apparent economic or visible lawful purpose, their background and purpose shall be re-examined, and the findings documented. If suspicions remain about the transaction MLRO should report it to relevant authorities.

Lulu International Exchange BSC (c) shall apply enhanced due diligence measures to 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 shall be effective and proportionate to the risks.

The CBB shall reserves the right to:

# AML CFT Policy and Procedure

- (a) Refuse the establishment of subsidiaries or branches or representative offices of financial institutions from such jurisdictions, or from jurisdictions that, in the opinion of the CBB, do not have adequate AML/CFT systems;
- (b) Limit business relationships or financial transactions with the identified jurisdiction or persons in that jurisdiction;
- (c) Prohibit licensees from relying on third parties located in such jurisdiction to conduct elements of the CDD process;
- (d) Require licensees to review and amend, or if necessary terminate, correspondent relationships with financial institutions in such jurisdiction;
- (e) Require increased supervisory examination and/or external audit requirements for branches and subsidiaries of financial institutions based in such jurisdiction; or
- (f) Require increased external audit requirements for licensees with respect to any of their branches and subsidiaries located in such jurisdiction.

## 10.2 Terrorist Financing

Lulu International Exchange BSC (c) shall implement and comply with United Nations Security Council resolutions relating to the prevention and suppression of terrorism and terrorist financing. Licensees must freeze, without delay, the funds or other assets of, and to ensure that no funds or other assets are made available, directly or indirectly, to or for the benefit of, any person or entity either (i) designated by, or under the authority of, the United Nations Security Council under Chapter VII of the Charter of the United Nations, including in accordance with resolution 1267(1999) and its successor resolutions as well as Resolution 2178(2014) or (ii) designated as pursuant to Resolution 1373(2001).

1. LuLu International Exchange BSC (C) shall comply in full with the provisions of the UN Security Council Anti-Terrorism Resolution No.1373 of 2001 ('UNSCR1373').
2. The MLRO will continually obtain information of black listed entities and individuals from the Local Regulatory Authority (Central Bank of Bahrain) and other International organisation (UN, OFAC, EU, HMT, etc.).
3. All transactions shall be screened against the lists (UN, OFAC, EU, HMT & CBB) and if match is found the transaction is blocked and an STR is raised to CBB's Compliance Directorate.
4. The CBB from time to time issues the designated list of persons and entities believed linked to terrorism. The MLRO should verify that the dealings with these designated person and entities, and report back its findings to the CBB and comply with any subsequent directions issued by the relevant authorities.
5. All reports or notifications should be made to the CBB Compliance Directorate.

## 11 Enforcement Measures

### 11.1 Regulatory Penalties

Without prejudice to any other penalty imposed by the CBB Law, the AML Law No.4 or the Penal Code of the Kingdom of Bahrain, failure to comply with the Financial Crime regulations shall result in the levying by the CBB, without need of a court order and at CBB's discretion, of a fine of up to BD 20,000.

Other enforcement measures shall also be applied by the CBB if a licensee fail to comply with the other requirements of CBB Module and each such violation can lead us to a financial penalty of up to BD 100,000. The fine shall be multiplied by the number of violations.

# AML CFT Policy and Procedure

## 12 Fraud

### 12.1 General Requirements

1. LuLu International Exchange BSC (C) shall ensure that it allocates appropriate resources and have in place systems and controls to deter, detect and record instances of fraud or attempted fraud.
2. Any actual or attempted fraud incident (however small) shall be reported to appropriate authorities (including the CBB) and followed up.
3. LuLu International Exchange BSC (C) shall ensure that a person, of sufficient seniority, is given the overall authority for the prevention, detection and remedying of fraud within the organisation.
4. LuLu International Exchange BSC (C) shall provide regular training to their management and staff, to make them aware of potential fraud risks.

# AML CFT Policy and Procedure

## D Forms

### Form No. 1

(Ref. Clause 2.1 of the AML Policy & Procedures)

FOR NATURAL PERSONS/ INDIVIDUAL CUSTOMERS

**LuLu International Exchange BSC (C)-HeadOffice**

Commercial office no:1086, First floor, Building :1723, Road 4041, Block 740, PO

Customer Registration Form			
Customer No	: 0109920150598042		(cc-0109920150598042)
Date Of Reg.	: 14/01/2015		
FirstName	: PEREGRINO	MiddleName	: FELIX
Guardian	:	LastName	: RODRIGUES
Gender	: MALE	DOB	: 14/04/1969
Address1	: FV 23 BLDG 758 ROAD 1809	Address2	: BLOCK 318 MANAMA /
Nationality	: INDIA	Cust. Type	: EMKE CUSTOMER
Profession	: Compliance and money	Income Source	: Salary
Mobile	: +97366396007	Phone	:
Email	: peregrino.rodrigues@bh.luluexchange.com	Employer	: LULU INTERNATIONAL
Relation	:	BirthPlace	: BOMBAY MS
Country	: SAUDI ARABIA	Employer	: LULU INTERNATIONAL
Visa Type	: Resident	Category	: Individual
Expected volume of transactions per month	: 0 - 1000	Expected number of transactions per month	: 1 - 4
ID Details			
ID	CPR	Issued By: LMRA	ID No: 690411030
			Expiry Date: 17/07/2019

I hereby confirm that all above information is true and correct.

I confirm that I am acting (tick the box)

On my own behalf  On behalf of .....

I agree to receive promotional and service related SMS from LuLu International Exchange

Prepared By: 48000peregrino

Prepared On: 05/09/2017 16:27:01 PM

Verified By

Customer Signature:

# AML CFT Policy and Procedure

## Form No.2

(Ref. Clause 2.2 of the AML Policy & Procedures)

FOR LEGAL PERSON OR CORPORATE CUSTOMERS



Book No.:

# CORPORATE CUSTOMER REGISTRATION

CUSTOMER NAME	:	.....
C.R. No.	:	.....
REGISTRATION NO.	:	.....

Classification **Company Confidential**

**AML CFT Policy & Procedure**

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Printed

Controller MLRO

Created- 20-04-2014

Updated 17-02-2018

Owner Board of Directors

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# AML CFT Policy and Procedure

## 1. Guidelines

- 1.1. The following forms in the booklet are to be duly filled in and signed by the appropriate officials.
- Corporate Profile
  - Letter of Authorization (To be type on Company Letter Head)
  - Letter of Undertaking
- 1.2. Following documents to be enclosed (Depending on the legal forms of the entity)
- (a) Valid ID of beneficial owners (CPR/Passport/CR) with proof of address for resident country.
  - (b) Valid ID of senior management (CPR or Passport) with proof of address for resident country.
  - (c) Valid ID of authorized signatories (CPR or Passport) with proof of address for resident country.
  - (d) Valid ID of authorized representative (CPR or Passport) with proof of address for resident country.
  - (e) Certificate of incorporation and/or Certificate of commercial registration or trust deed.
  - (f) Memorandum of association
  - (g) Articles of association
  - (h) Partnership agreement
  - (i) Copy of the latest reports and accounts, audited where possible (audited copies do not need to be certified)
  - (j) Board resolution seeking financial services (only necessary in the case of private or unlisted companies)
  - (k) List of persons authorised to do business on behalf of the company and in the case of opening an account, a board resolution (or the applicable document) authorising the named persons to operate the account (Resolution only necessary in the case of private or unlisted companies)



# AML CFT Policy and Procedure

 **2. Corporate Profile**

Corporate Details:

2.1 Entity's full name: \_\_\_\_\_

Other Trading Name Used: \_\_\_\_\_

**Legal Form:**

Bahrain Shareholding Company B.S.C. (Public)

Bahrain Shareholding Company B.S.C. (Closed)

With Limited Liability Company W.L.L.

Partnership Company

Simple Commandite Company

Commandite By Shares Company

Single Person Company S.P.C.

Branch of a Foreign Company

Individual Establishment

Sijill

**Commercial Registration (CR) Details:**

CR Number: \_\_\_\_\_ Issued at: \_\_\_\_\_

Issued Date: \_\_\_\_\_ Expiry Date: \_\_\_\_\_

Registered Address: \_\_\_\_\_

Trading Address (Where applicable): \_\_\_\_\_

Type of Business Activity: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Date of incorporation or establishment: \_\_\_\_\_


Place of incorporation or establishment: \_\_\_\_\_

Tel: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Mob.: \_\_\_\_\_ E-mail: \_\_\_\_\_

# AML CFT Policy and Procedure


  
 Lulu International Exchange

Regulatory body or listing body:  
(Applicable for financial services and listed companies.)

.....

Name of external auditor (Where applicable):

.....

Nature of business dealing with Lulu International Exchange:

FOREX       REMITTANCE       \_\_\_\_\_

**Monthly Transactions Activity:**

Expected Turnover/Volumes of transaction per month : \_\_\_\_\_

Expected Number of transactions per month : \_\_\_\_\_

Source of funds: \_\_\_\_\_

**2.2 Beneficial Owners / Share Holder's Details**

Sr No.	Name	Country of Residence & Nationality	ID Type / Number / Expiry Date	Share %

Please provide certified true copy of the original identification documents for the above persons.

# AML CFT Policy and Procedure

## 2.3 Board of Directors Details

SrNo.	Name	Country of Residence & Nationality	ID Type / Number / Expiry Date	Position Held

Please provide certified true copy of the original identification documents for the above persons.

## 2.4 Authorised Signatories

SrNo.	Name	Country of Residence & Nationality	ID Type / Number / Expiry Date	Signature

Please provide certified true copy of the original identification documents for the above persons.

## 2.5 Politically Exposed Persons (PEPs)

Are any beneficial owners, company directors or senior executives PEPs? (Individuals who are, or have been, entrusted with prominent public functions such as Heads of State or government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations or important political party officials.) Y  N

Legal Name	Title / Position Held	Name of Public Entity	Nature of Business

# AML CFT Policy and Procedure



## 2.6 Local Bank Account Details:

Bank Account no.	Bank Name	Branch

## 2.7 Group Company Details:

Company Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

CR Number: \_\_\_\_\_ Issued Date: \_\_\_\_\_

Expiry Date: \_\_\_\_\_ Country of Incorporation: \_\_\_\_\_

Company Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

CR Number: \_\_\_\_\_ Issued Date: \_\_\_\_\_

Expiry Date: \_\_\_\_\_ Country of Incorporation: \_\_\_\_\_

2.8 We hereby certify that, the details provided in the Corporate Customer form are true and correct and I agree to advise of any changes. We assure you that the Foreign Exchange / Remittance Services we do through LULU International Exchange are for our legitimate business interest only.

We declare that the Source of fund is generated from the proceeds of permitted business activities and the purpose of transaction is solely business related.

I confirm that I am acting / having the authority to act on behalf of \_\_\_\_\_

Owner / Authorized Manager named in Commercial Registration (CR): \_\_\_\_\_

Signature: \_\_\_\_\_ Designation: \_\_\_\_\_

Name: \_\_\_\_\_

Company Seal: \_\_\_\_\_ Date: \_\_\_\_\_

# AML CFT Policy and Procedure



## 3. Letter of Authorisation

(To be printed on company letter head)

To,  
The Manager,  
LuLu International Exchange B.S.C. (C)  
\_\_\_\_\_ Branch

Date: \_\_\_\_\_

Dear Sir/Madam,

Subject: Authorised Representative/s

3.1 We hereby authorize the following person/s employed by our company, to sign on behalf of our company for all business transactions including exchange of currencies, remittances and corresponding documents (if any).

Appropriate original identification documents will be made available by each representative at your counters whenever requested.

Name of the Employee	ID Details	Specimen Signature

3.2 Any change in the status of the above representative/s will be intimated in writing to LuLu International Exchange in due course.

Thanking you  
Yours truly,


Owner/Authorized manager named in Commercial Registration (CR):

Signature: \_\_\_\_\_ Designation: \_\_\_\_\_

Name: \_\_\_\_\_

Company Seal:

# AML CFT Policy and Procedure

**4. Letter of Undertaking**

To, \_\_\_\_\_ Date: \_\_\_\_\_  
The Manager,  
LuLu International Exchange B.S.C. (C)  
\_\_\_\_\_ Branch

Dear Sir/Madam,

Subject: Undertaking for Business Transactions/Remittances

We, on behalf of our company, authorize LuLu International Exchange to :

- Deliver / Collect currency, Drafts or any Transaction receipts at our premises by LuLu International Exchange personal upon our request.
- Accept cheques issued by our business as a method of payment for transactions.

Additionally, we undertake the following:

- We are not linked to any form of Money Laundering or terrorist financing activity, direct or indirect in whatsoever form.
- We remain committed to comply with Financial Crime Module issued by the Central Bank of Bahrain.
- To provide all the necessary supporting details / copies of documents for any of our current or past transactions, including invoices of remittances, as and when requested by your Exchange Company.
- We will not hold your Exchange Company responsible for any financial and/or reputation loss due to any inadequacy or inaccuracy of information provided by our authorized signatories.
- To notify you immediately for any changes in our company information.

Thanking you  
Yours truly,

Owner/Authorized manager named in Commercial Registration (CR):  
Signature: \_\_\_\_\_ Designation: \_\_\_\_\_  
Name: \_\_\_\_\_  
Company Seal: \_\_\_\_\_

# AML CFT Policy and Procedure



## 5. Branch KYC Check List

INFORMATION COLLECTED	YES or NO Please Tick <input type="checkbox"/> <input type="checkbox"/>	
Entity's full name and any other trading names used		
Registered address and trading address, If applicable		
Type of business activity/Industry		
Date and place of incorporation or establishment		
Telephone, Fax number and E-mail Address		
Trade license number/corporate registration expiry date		
identified beneficial owners & authorised signatories		
List of persons authorised to do business on behalf of company on company letter head		
Legal form		
Regulatory body or listing body (applicable for financial and listed companies)		
Name of external auditor in applicable		
Type of account, and nature and volume of anticipated business dealing		
Source of fund		
Purpose of transaction		
Proof of address for resident country collected		

### Office USE Only

Verified by: Branch Incharge (Name & Signature)

Verified and Approved by Area Manager (Name and Signature)

## 6. Disclaimer

- 6.1 The terms and conditions, including the rates and charges enlisted in the proposal submitted on behalf of LuLu International Exchange, are subject to changes in relation to market fluctuations.
- 6.2 Further more, the transactions executed by LuLu International Exchange are subject to the condition that it will not be held liable for delay/non payment or non delivery, due to reasons beyond its control, and/or disruption of communication systems.
- 6.3 LuLu International Exchange shall not be held responsible for any inadequacy or inaccuracy of the information provided by the customer.

# AML CFT Policy and Procedure

## Form No. 3

(Ref. Clause 2.3 of the AML Policy & Procedures)

**LuLu International Exchange BSC (C)**  
Recorded Details Correction Request Form  
(For Updating/Addition/Deletion of Form No. 1 & 2)

Mr /Ms: .....  
**Employer Name:** .....  
**P. O. Box No. & Place:** .....  
**Contact Telephone Numbers:** .....

**To:**  
Branch Name .....  
LuLu International Exchange BSC (C),  
Branch .....

Dear Sir,  
Kindly correct the following Customer's Details in the system:  
1. ....  
2. ....  
3. ....

Kindly amend/add/delete the following Customer's Account Details in the system:  
Customer's Account No.....

Account Name: ..... Account No.: .....

Bank Name: ..... Branch Name: .....

Bank Address.....

SWIFT.....

Drawn Bank Name: ..... Drawn Branch Name: ..... Currency: .....

**Customer's Signature**

**Staff's Signature**

**Branch Manager's Signature**



# AML CFT Policy and Procedure

## Form No. 4

(Ref. Clause 3.1.2(2) of the AML Policy & Procedures)

### Letter of Representation/Authorisation (For Individual Customer Only)

**From**

Mr /Ms: .....

**Employer Name:** .....

**P. O. Box No. & Place:** .....

**Contact Telephone Numbers:** .....

To

The Branch In-charge,  
LuLu International Exchange BSC (C),  
Branch .....

Dear Sir,

**Reg.: Authorisation for**  Inward /  Outward Remittances /  Foreign Exchange **Transactions**

I hereby authorize Mr / Ms. .... Bearer of this letter, holding Passport / CPR No. ...., to send / receive money or conduct foreign exchange transactions on behalf of me and sign the necessary transaction vouchers. His / her original identity will also be produced by him / her along with my Original passport / CPR.

I, hereby confirm that this transaction is for .....purpose only.

**This authorisation is for**  One time  3 months  6 months  1 year (If any changes shall be notified by me)

The bearer of this letter will sign as: ..... and his Contact number is .....

Thanking you,

Yours faithfully,

Signature: .....

Name: .....

Date: .....

# AML CFT Policy and Procedure

**Note: The following originals shall be produced by representative while executing each transaction.**

- a) Remitter's ID
- b) Representative's ID

## Form No. 5

(Ref. Clause 3.1.2 (2) of AML Policy & Procedures)

### Letter of Representation

(For Corporate Customer Only - on Company Letter head)

**From:**

Company Name M/S. ....  
P. O. Box No. & Place .....  
Telephone and Fax Numbers .....

To

The Manager,  
LuLu International Exchange BSC (C),  
Branch.....

Dear Sir,

**Reg.:** Transfer Request

I/We hereby authorize Mr / Ms. ...., bearer of this letter, holding CPR /Passport No..... to send / receive / exchange money on behalf of our Company and sign the necessary transaction vouchers. His / her original identity will also be produced along with the copy of our Trade License and the copy of my passport / CPR.

We are engaged in the .....business and we hereby confirm that the amount sending / receiving / exchanging through your company are for ..... purpose only.

The bearer of this letter will sign as: .....

Kindly request you to process the funds to the below mentioned beneficiaries.

SR NO.	FULL NAME OF THE BENEFICIARY	BENEFICARY BANK & ACCOUNT NUMBER DETAILS	AMOUNT (in BD)	RELATIONSHIP WITH BENEFICIARY

Thank you for your kind cooperation

Yours Truly,

For M/S. ....

Signature: .....

Date: .....

Classification **Company Confidential**

**AML CFT Policy & Procedure**

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Controller MLRO

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Name & Designation: .....

**Enclosed:**

1. Copy of the Trade License Company Stamp
2. Copy of the Partner / Manager's ID
3. Copy of the Representative's ID

## E Exhibits

### EXHIBIT – (A)

(Ref. Clause 2.1 of the AML Policy & Procedures)

Customer Identity Original Documents Required for Verification. We should scrutinize only identification documents with photograph.

1. Central Population Register (CPR) card, or
2. Passport (if the customer is a passport holder), or
3. Driving License by the Kingdom of Bahrain, or
4. Residence Permit Number (For Residents of GCC States)

### EXHIBIT – (B)

(Ref. Clause 7.1 of the AML Policy & Procedures)

*Guidelines for identifying suspicious customers:*

"Suspicious activity" is a difficult concept to define because it can vary from one transaction to another based upon all the circumstances surrounding the transaction. For example, transaction by one customer may be normal because of the knowledge of that customer, while similar transaction by another customer may be suspicious. Many factors are involved in determining whether transactions are suspicious, including the amount, the location of the business, comments made by the customer, the customer's behaviour, etc.

Customers like those mentioned below may warrant attention. Just because a customer appears on the list does not mean that he/she is involved in illegal activity. It only means that the transaction of the customer requires closer scrutiny.

- Customers sending or receiving frequent amounts that are much greater than what would be expected for the customer.
- Customers avoiding threshold limit.
- Customers transferring money repeatedly in order to make each transaction unnoticed and also do not draw attention, but the total of the transfer's together form a large amount.
- Customers trying to change large quantities of small denomination currency into large denomination currency.
- Repeated exchange of cash from one currency to another, while the nature of the customer's activity does not require such exchange.
- Customers conducting suspicious transactions may appear nervous, rushed or defensive to questioning about his remittance.
- Customers who may be reluctant to show ID.
- Customers who may offer gifts to avoid certain record keeping requirements or if you handle the transaction in a certain way as he desires.
- Customers concealing the beneficial owner of funds.
- Two customers coming together but sending money transfer separately to the same beneficiary or coming together for receiving money transfer from the same remitter.

# AML CFT Policy and Procedure

- Large number of individuals transferring money to the same beneficiary without appropriate reasons or explanations.
- Repeated requests for travellers' cheques or drafts in foreign currencies.

## F Records

Document	Location	Duration of Record	Responsibility
KYC Evidences	Branch/Warehouse	10 years	Branch Manager & Warehouse Manager
Employee documents	HR Manager	10 years	HR Manager