

## Abstract

The purpose of this case study is to find out more about anti-money laundering practices that are implemented and working within the region through the eyes of a well-known firm.

## Company Description

BFC's operations include

- 92 branches in the Gulf region
- 45,000 locations in over 30 countries accessed through agents

BFC was officially registered with the CBB as a Specialized License on the 1<sup>st</sup> of January 1952

- granted a Certificate of Incorporation by the Ministry of Commerce on 22nd of January 1988.
- falls within the financial sector and is the largest money services business (MSB) in Bahrain
- deals mainly with foreign exchange, remittances, and wholesale banknotes

## Description of AML Practices

ORM includes Suspicious Transaction Reports and Management Information Status

- Branch employees file a Internal STR (ISTR) to AML department
- AML department launches an investigation based on the ISTR received and documents the results in an External STR
- MIS includes Daily Reports, Weekly Reports, Half-month Reports, and Monthly Reports which are filed to identify "structuring"

KMS consists of various forms of intelligence that are gathered using their corresponding due diligence procedures.

- KYC: conducts Customer Due Diligence (CDD), Enhanced Due Diligence (EDD) or simply "Prohibits" any customer relations
- KYCC and KYCB: involves a standard Wolfsberg Questionnaire adjusted for CDD and preparation for the correspondent bank's due diligence
- KYT: uses an automated rule-based system for performing trend analysis and behaviour analysis
- KYCT: identifies whether a certain currency or product meets the expectations of the location.
- KYE: performs an Employee Due Diligence

RM involves calculating risk variables the aid of KYC, KYT, KYB, and KYCT.

- Risks variables are added to customer's risk formula
- A quantitative scale with a range of 1-5 is used to rate likelihood and impact
- Likelihood and the impact are multiplied to create an Overall Customer Risk
- Risk Score is mapped on a Risk matrix at five levels
- RSC then documents the risks in a Risk Register as shown below.

## Policy Development

Three distinct policy development processes through three different stakeholders

- CBB: by promulgation of certain requirements within Rulebook-5
- Internal policy development through "Compliance Research Team" using research and studies
- external consultants depending on their field of expertise and theme of the policy.

Figure 7: Policy Development Processes

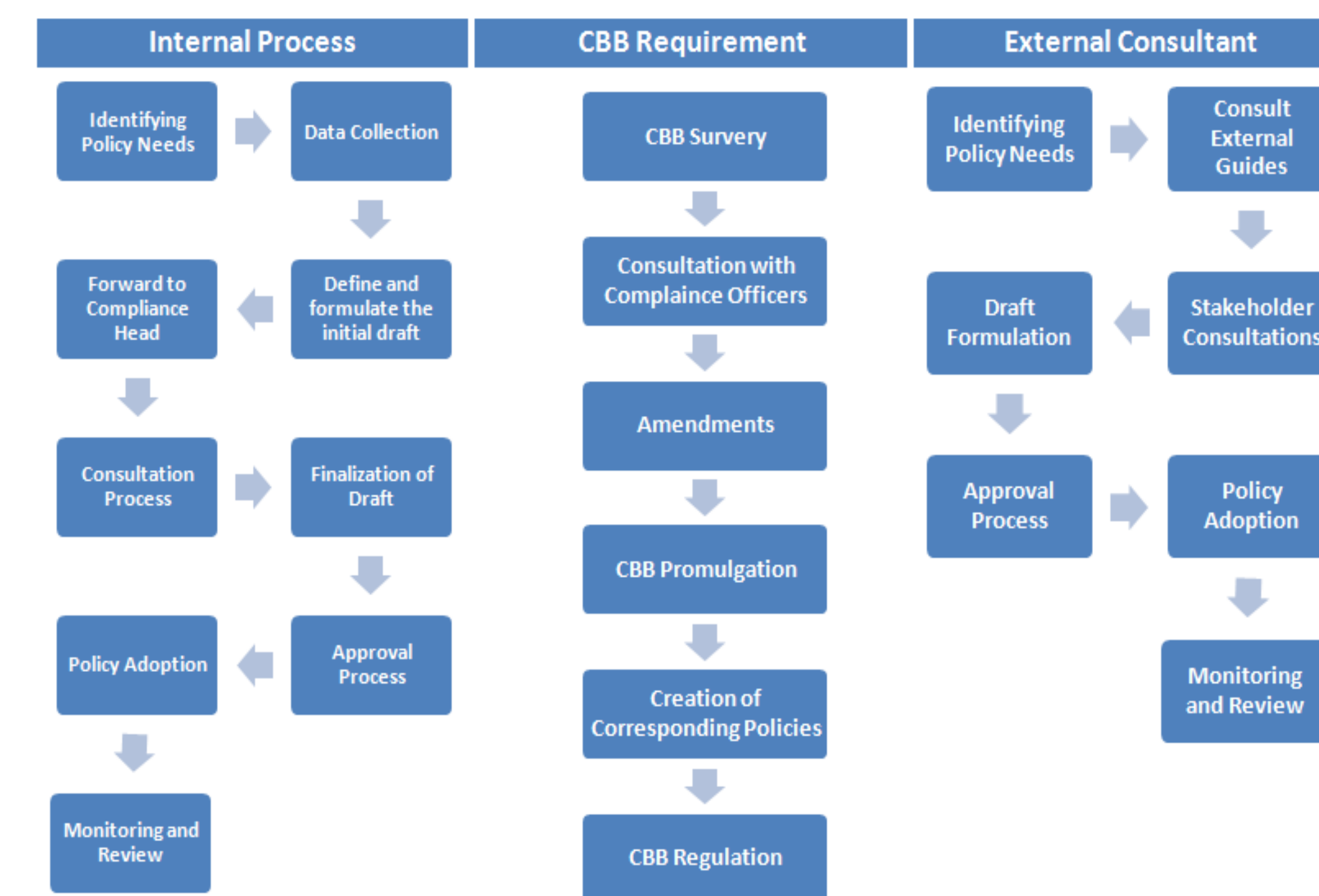


Figure 1. Company Structure

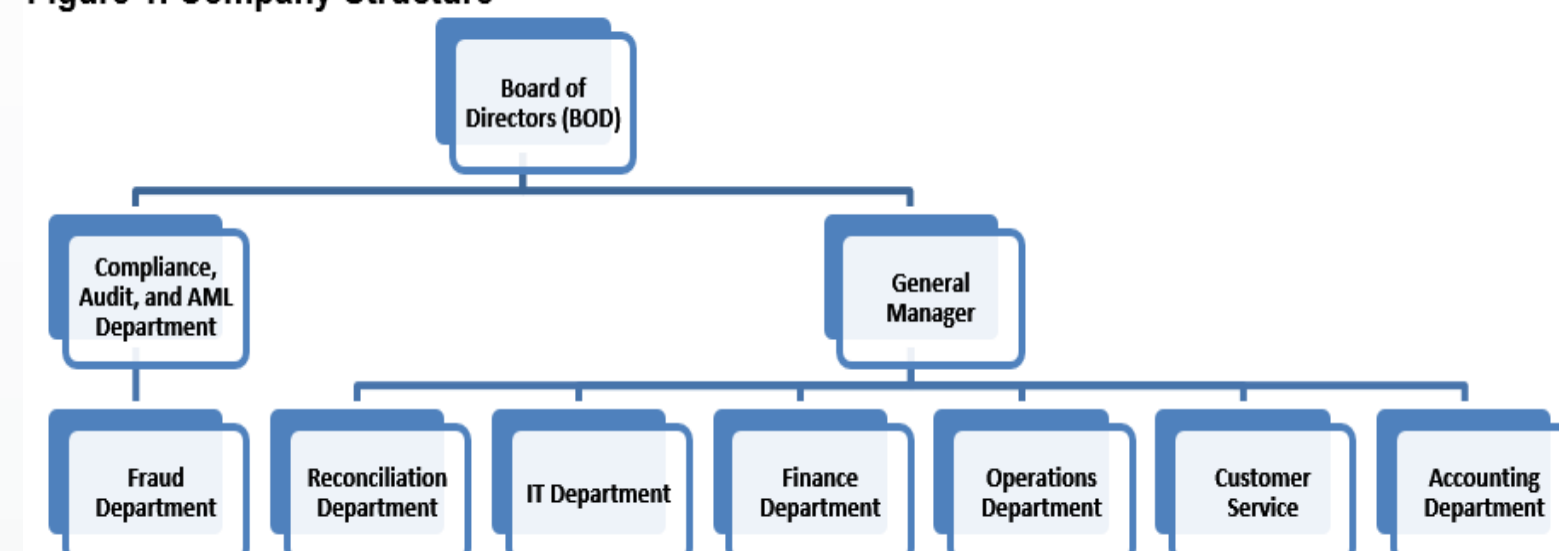
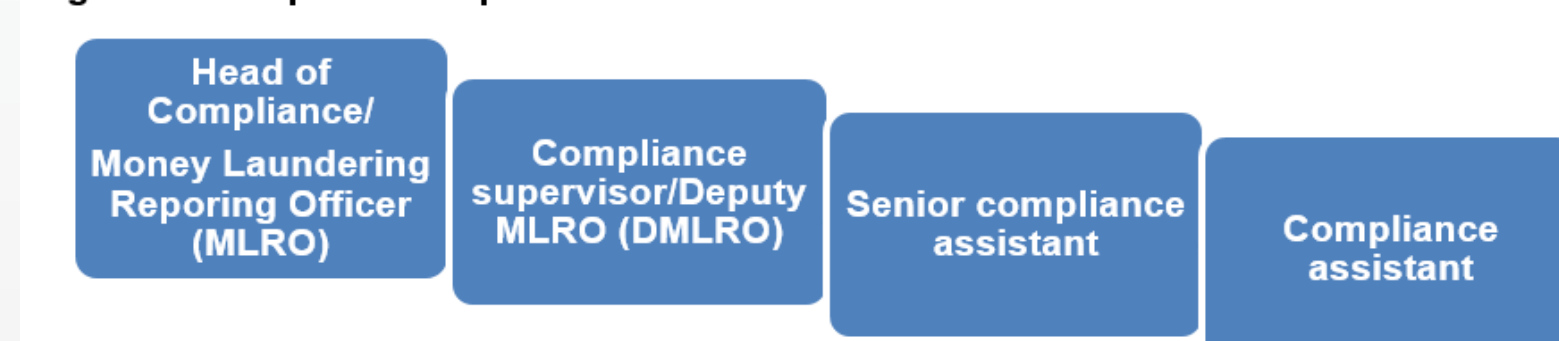


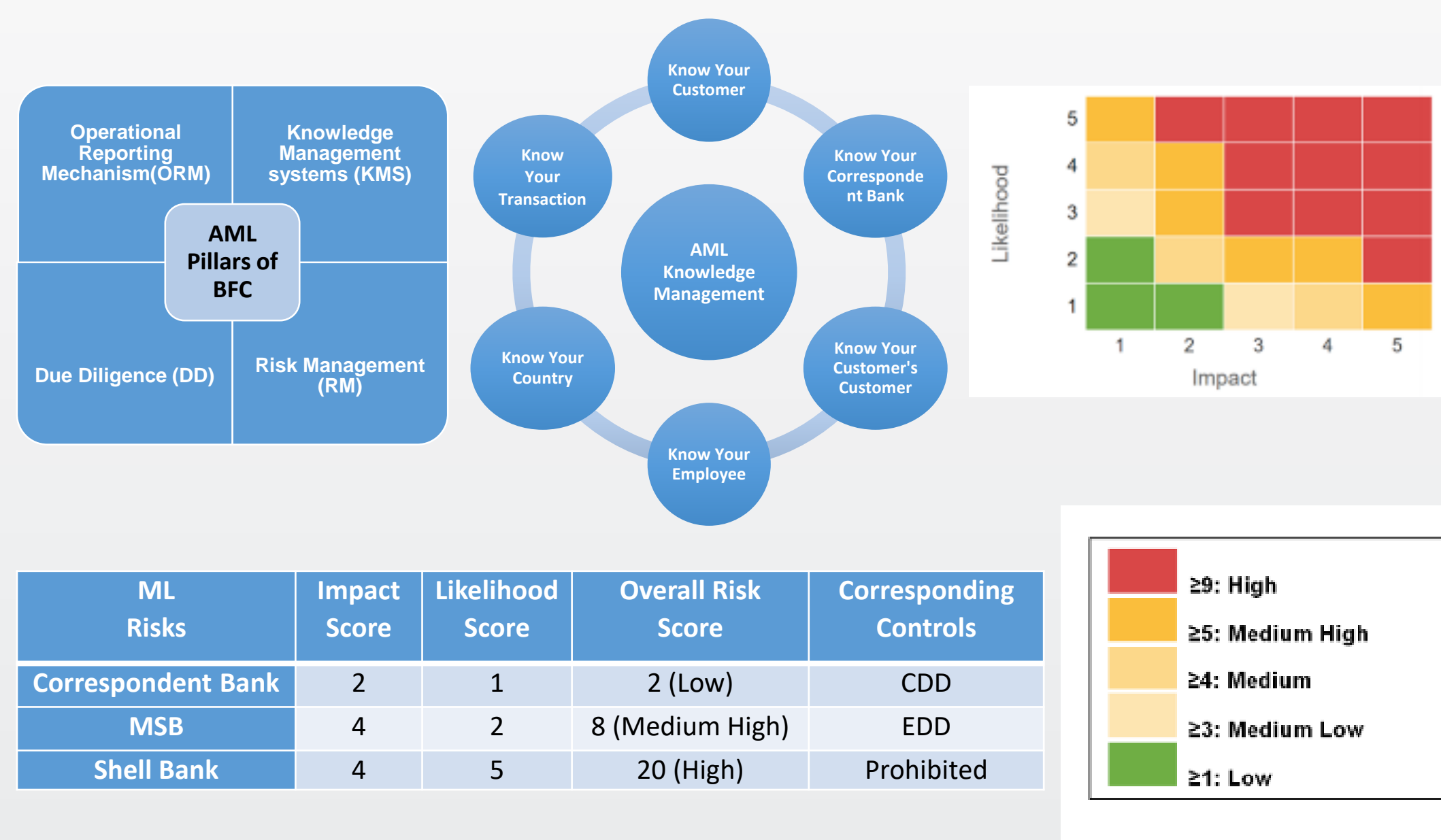
Figure 2. Compliance Department



## Embedding the Practices

BFC possess an in-house training center which administers various traineeship frameworks

- Frameworks teach basic AML guidelines
- "Mock" branch for on-the-job training
- Employee handbook elucidates all AML policies
- Policy Manager by Thomson Reuters is used to identify changes in the CBB Rulebooks
- New employees receive an induction training for a period of three months during
- Annual training is given to all by compliance staff
- frequent Ad-Hoc AML training and AML knowledge refreshers may occur anytime
- compliance department may take quizzes by visiting branches or making random calls



## Identification of AML Issues

BFC's external whistleblowing policy allows an employee to bring allegations to light by a third party.

- Conducted through a web-based application with various languages or a toll number.
- Third party acts as an external agency which informs the Compliance department

Technical issues are dealt by IT Help-Desk which operates using an automated information system

- First level: deals with well-known information.
- Second level: service desk team leader assigns task to relevant experts within IT department.
- Final level: service desk manager employs more complex resources to handle problems.