

AL SALAM BANK BAHRAIN B.S.C.

**Anti-Money Laundering
Counter Financing of Terrorism
Anti-Bribery and Corruption
Policy Statement**

December 2018

Introduction

Al Salam Bank - Bahrain B.S.C (ASBB or “the Bank”) has been established in the Kingdom of Bahrain as an Islamic retail bank licensed, regulated and supervised by the Central Bank of Bahrain (CBB). ASBB is a public share holding company listed on the Bahrain Bourse and Dubai Financial Market.

The CBB requires all Islamic banks licensees to comply with the applicable laws, regulations and must implement programmes against Money Laundering and Terrorist Financing by establishing and maintaining appropriate systems and controls to limit the vulnerability to Financial Crime. Specifically, as a condition of the banking license granted to each bank, the CBB requires banks to comply with all aspects of legislation and regulations related to anti-money laundering and combating financing of terrorism mandated by the Financial Crime Module (FC) of the CBB, including Customer Due Diligence (CDD) rules outlined in the Basel Committee on Banking Supervision paper and Financial Action Task Force (FATF) 40 recommendations on Money Laundering and 9 Special Recommendations on Terrorist Financing.

The applicable Anti-Money Laundering laws and regulations in Bahrain include (but are not limited to) the following:

- Decree Law No. 4 of 2001 with Respect to the Prevention and Prohibition of the Laundering of Money
- Decree Law No. 54 of 2006 amending certain provisions of Legislative Decree No. 4 of 2001 with Respect to the Prevention and Prohibition of the Laundering of Money
- Decree Law no 25 of 2013 amending certain provisions of legislative decree law no 4 of 2001 with Respect to the Prevention and Prohibition of the Laundering of Money
- Decree Law no 36 of 2017 amending article 3 of decree law no 4 of 2001 with Respect to the Prevention and Prohibition of the Laundering of Money
- Decree Law No. 58 of 2006 with Respect to the Protection of Society from Terrorism Activities
- Ministerial Order No. 7 of 2001 with respect to the obligations governing institutions concerning the prohibition and combating of money laundering
- Ministerial Resolution No. 1 of 2004 on Directives Relating to the Prevention and Prohibition of Money Laundering at the Bahrain Stock Exchange (Bahrain Bourse)
- Decree Law No. 15 of 1976 concerning the Penal Code with Respect to Anti-Bribery and Corruption (Article 186)
- Decree Law No. 1 of 2013 amending some provisions of Decree Law No. 15 of 1976 concerning the Penal Code with Respect to Anti-Bribery and Corruption (Article 418)

Policy Statement

ASBB Policies and Procedures are established in accordance with the requirements of the FC Module of the CBB Rulebook Volume No.2, which was first issued in April 2005 and applies to all Islamic Bank Licensees. The FC module is a comprehensive framework aimed at combating money laundering and terrorist financing.

The bank has adopted policies and procedures to combat Money Laundering, Financing Terrorism, Bribery and Corruption. It is the policy of the bank to comply with the Anti-Money Laundering laws and regulations of the jurisdictions in which it undertakes business activities, as the basis for customer identification, verification of sources of funds and the ongoing monitoring and reporting of suspicious transactions.

In accordance with the FC Module of the CBB Rulebook Volume No. 2, ASBB is required to:

- Establish procedures for verifying the identity of clients ‘Customer Due Diligence’ (CDD), also known as ‘Know Your Customer’ (KYC).
- Establish risk based systems to identify and monitor ‘suspicious transactions’.
- Establish internal and external ‘suspicious transactions’ reporting procedures.
- Appoint a Money Laundering Reporting Officer (MLRO) and a Deputy MLRO.
- Train employees on the procedures for recognizing and reporting suspicious transactions.
- Train employees on their legal obligations and responsibilities in this area.
- Establish record-keeping procedures to ensure evidence of client identity and transactions is maintained.

The AML/CFT/ABC policies and procedures, are reviewed and approved annually by the Board of Directors. All ASBB employees, including members of the Board of Directors and Executive management are responsible for the implementation of this policy. In particular, relevant units are responsible to ensure the following:

- An independent AML Department has been established which is in charge of the Bank’s Anti-money laundering Function. This Department handles the reporting of suspicious transactions to the relevant authorities.
- Customer identification procedures, Know Your Customer (KYC) must always be complied with both at the time of establishing business relations and thereafter on an on-going basis. The key elements of our customer screening and monitoring procedures are:
 - Accounts are only be opened for individuals/entities whose identity and Ultimate Beneficial Ownership (UBO) has been verified in accordance with the CDD / KYC requirements.
 - Automated Screening prior to on boarding and on an on-going bases against watch-lists to identify Politically Exposed Persons (PEP) and sanctioned entities or individuals.
 - Customers are assigned Risk Ratings based on type, channel, and geography among other factors.
 - Customers considered as higher risk are subjected to Enhanced Due Diligence (EDD)
 - Automated account transaction monitoring mechanism to detect large, complicated or otherwise exceptional transactions and reporting of suspicious transactions involved in money laundering or other unlawful activities to the appropriate local supervisory regulatory authority
- It is prohibited by policy to open anonymous accounts, or establish relationships with Shell Banks and unregulated Money Service Businesses.
- All documents relating to transactions are maintained as per CBB requirements after the transaction was completed.

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- Client's personal information and evidence of identity and business relationship shall be maintained as per CBB requirements after the date of termination of relationship with the Bank.
- All incoming Electronic Transfers shall include the name of the Ordering Customer and all outgoing transfers shall include the details of the beneficiary. Automated screening procedures are in place to check the entire ordering customer's and the beneficiary's details against applicable sanctions database.
- Channels for reporting suspicious transactions are documented and communicated to all employees. Adequate procedures are in place to ensure that reporting takes place without disclosure of the employee's identity thus providing them protection from adverse reactions.
- All employees shall receive initial and continuous training to ensure that they appreciate the significance of and increase their awareness of money laundering.

The Bank shall not hire any individual previously suspected of involvement in money laundering activities.

Corresponding to the CBB's requirement, periodic training is provided to appropriate staff members at least annually. In addition, relevant new employees are given AML/CFT training within three months of joining the bank.

Besides the CBB's periodic AML inspection conducted to review the extent of the bank's Anti-Money Laundering Compliance function, the bank is being audited annually by external auditors to review its compliance with applicable AML/CFT laws and regulations.

Al Salam Bank does not establish business relations with banks, which have no physical presence in the jurisdiction in which they are licensed ("shell banks").

The bank established a procedure for checking clients and potential clients to ensure that all names are screened against identified lists issued by various regulatory bodies and organizations such as the United Nations Security Council Sanctions List (UN), United States Department of the Treasury's Office of Foreign Assets Control (OFAC), Office of Financial Sanctions Implementation HMT (OFSI), and European Union Consolidated List (EU)

A procedure is in place to report suspicious/unusual transactions internally to the MLRO (Money Laundering Reporting Officer), as well as external reporting by the MLRO to the Regulatory Authorities.

For any questions relating to this Policy, please contact:
The Money Laundering Reporting Officer (MLRO)
Appointed for Al Salam Bank – Bahrain B.S.C

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Signature: _____

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