



Anti-money laundering (AML) advisory services

The COVID-19 pandemic has escalated a number of business risks within the marketplace. Money laundering and terrorist financing which are typically two of the largest problems faced by governments and businesses alike, has also intensified due to businesses and governments accelerating their digital activity. Anti-money laundering regulations issued by the Bahrain government mandates businesses to put requisite controls in place to prevent and detect money laundering and to report any suspicious activities. As money launderers have resorted to sophisticated and innovative ways to leverage digital transactions to disguise the source of their funds, institutions must be more vigilant in terms of their due diligence, risk management and internal controls.

AML regulatory framework in Bahrain...



Existing Financial and Criminal Penalties under the National AML Law (Decree 4 of 2001)

The National AML Law (2001), highlights all potential financial and criminal penalties in contravention of the law in Article 3, ranging from **BD 20,000 – BD 1,000,000** and **imprisonment not exceeding 3 months to 7 years** respectively based on the severity of the violation. In cases where the offence of money laundering is committed by a corporate body, the corporate body shall be liable to the punishment of a fine prescribed in this Law in addition to confiscation of the property which is the subject matter of the offence.

The Middle East and North Africa Financial Action Task Force (FATF) performed two evaluations on the AML/CFT framework in Bahrain in 2006 and 2018 respectively.

Based on the results of the evaluations, the MOICT issued updates to the National AML Regulatory Framework in Bahrain to ensure compliance with the FATF's recommendations.

Law No.29 of 2020, has mandated the implementation of a policies and procedures manual for AML/CFT for the institutions that fall under the purview of the National AML framework.

Key requirements:

- The scope of application must cover all branches and companies, including those inside and outside of the Kingdom of Bahrain
- Conduct due diligence on clients on source of funds, identity check, etc. (including enhanced due diligence, where applicable)
- Transactions monitoring process (screening and reporting suspicious transactions)
- Internal control systems and procedures to ensure the confidentiality of information
- In addition to the above, the amendment has also introduced an administrative penalty of up to BD 50,000 for non-compliance and can be multiplied by the number of non-compliances identified. This is over and beyond the other financial penalties that could be applied.

Money laundering demystified...



Stage 1: Placement

Dirty money being inserted into the financial system.



Stage 3: Integration

Creating legitimate explanation for the source of funds; allowing them to be retained, invested or used to acquire goods and assets.



Stage 2: Layering

Separates the proceeds from the criminal origin by moving them through a series of financial transactions, making it harder to establish a connection.



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Why KPMG?

We are a dedicated team of professionals with knowledge and experience across different geographies, sectors and industries. KPMG has a dedicated resident team supporting clients to ensure AML compliance and delivering 'end to end' advisory services to their operational requirements in relation to AML.

We have Subject Matter Experts (SMEs) who have worked and collaborated with regulators and clients, developing a thorough understanding of the framework and AML best practices.

Our approach...

Based on our sector and industry experience, we are aware of the operational processes, customers/ clients, systems and the data processed within businesses as a part of their day-to-day operations. We have the capabilities and knowledge capital to scope out the customized requirements to ensure AML compliance and monitoring and address any concerns the business/ leadership may have in relation to the AML legislations within the Kingdom. Our resident experts will assess your existing AML procedures and framework and advise on the necessary steps required to establish a robust AML compliance system.

In alignment with the compliance requirements, KPMG can also help in developing a customized interactive training program which is tailored to client's business needs; to ensure employee awareness in relation to the applicability of the AML legislations, personal/ professional responsibilities, consequences of non-compliance, applicable fines and penalties, and how to report potential suspicious activities.

How can we help?

KPMG's team of experts can adopt a structured and flexible approach to meet the needs of your business. Areas where KPMG are frequently engaged include:

- Developing the AML policies and procedures manual including the associated customer risk assessment and client onboarding procedures.
- Performing a comprehensive gap assessment of the organization's prevalent AML infrastructure.
- Know Your Customer (KYC) due-diligence verifications, including compliance with the AML legislation
- Customized training programs covering AML/CFT and sanctions (classroom and e-learning).
- Investigations and inspections pertaining to suspicious transactions.
- Compliance audits/ Agreed upon Procedures (AuP) as a form of annual health checks.

Contact us...



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