

KINGDOM OF BAHRAIN
Ministry of Industry,
Commerce and Tourism



مملكة البحرين
وزارة الصناعة والتجارة والسياحة

2020

ANTI MONEY
LAUNDERING

Jewelery
Sector

KINGDOM OF BAHRAIN
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2020

ANTI MONEY LAUNDERING

Defense mechanism for

Jewelers



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His Excellency Zayed R. Al Zayani

Minister of Industry, Commerce & Tourism

The Ministry of Industry ,Commerce and Tourism has invested a lot of effort over the past several years to ensure the effectiveness of its procedures and systems in preventing would-be money launderers from establishing businesses in Bahrain, as well as in spreading general awareness of the threat and consequences of money laundering, through direct visits to businesses, seminars, as well as by the distribution of anti-money laundering rules and guidelines

Bahrain has a strong international reputation for the legitimacy of its jewelry trade coming from its historical position as the center of pearl trading, and I hope that ‘Self Defense for Jewelers’” will help our many jewelers in Bahrain, in combating any attempts by money launderers to use their businesses for criminal purposes.

This guide is addressed to you as a trader in Jewelry sector to help you better understand your obligation and be our partner in protecting Bahrain’s economy.



**Anti-Money Laundering / Terrorist Financing
Self-Defense for the Jewelry Trade**

What
You need
To
know

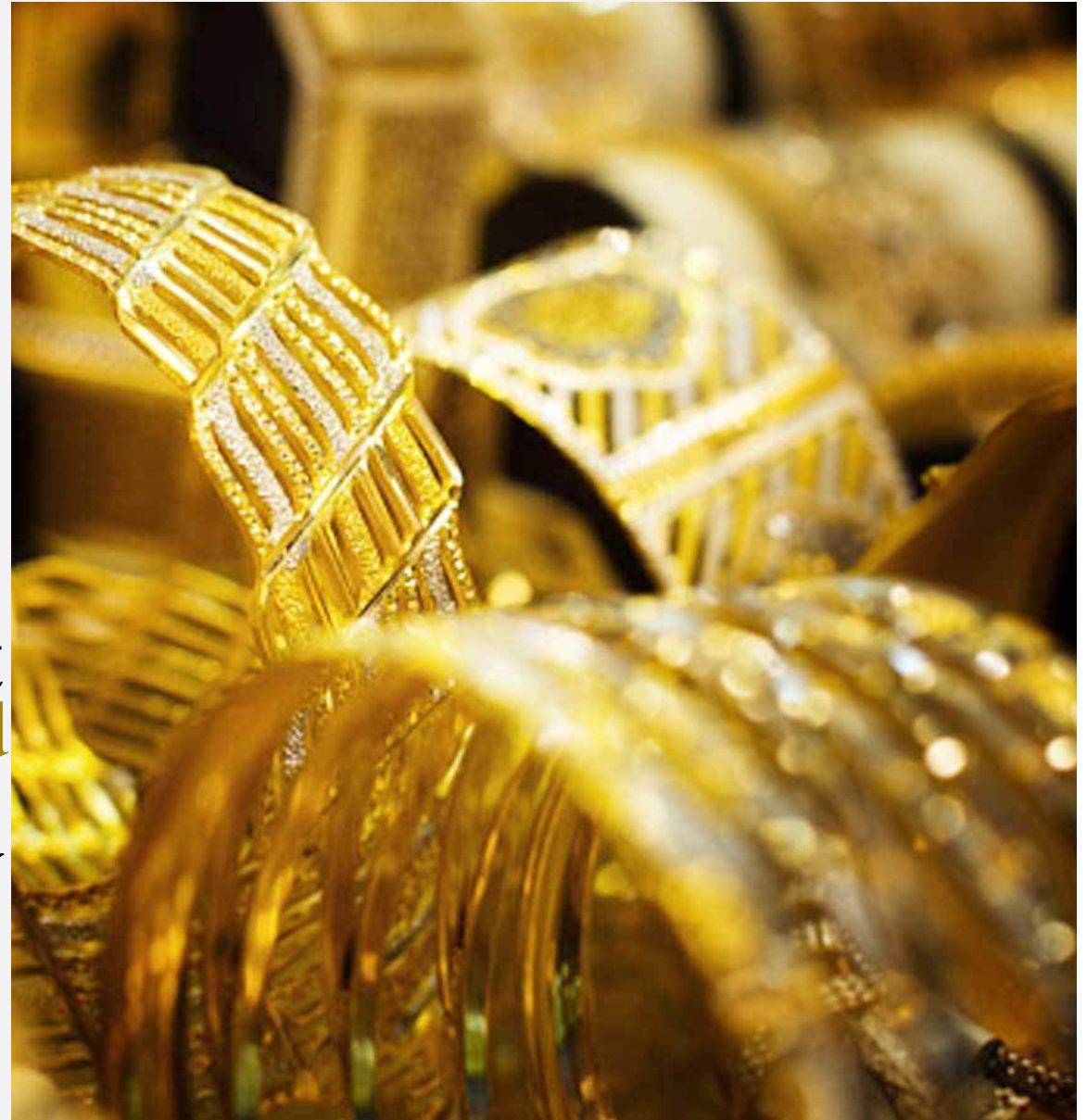


**Anti-Money Laundering / Terrorist Financing
Self-Defense for the Jewelry Trade**

MINISTERIAL ORDER NO. (173) OF 2017

Concerning The Obligations
Related To The Procedures Of The
Prohibition Of And Combating
Money Laundering And Terrorism
Finance In The Business Of The
Persons Registered In The
Commercial Register And The
Audit Registry In The Kingdom
Of Bahrain As Amended By
Ministerial Order (108) Of 2018.

**What
You need
To
know**



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

1. What is money laundering ?

Process of making large amounts of money by concealing sources of illegal earnings

It takes place in three stages

- ✓ **Placement:** The placing of illicit funds into the economy
- ✓ **Layering:** Creating multiple transactions to ‘cover’ the original placement making tracing much trickier.
- ✓ **Integration:** The final “pseudo-legitimizing” of the funds created by successful layering operations. The funds re-enter the financial system and appear to be legitimate funds after entering financial system.

2. What is Money?

Everything of value regardless of their type, specification or nature, whether movable or immovable, tangible or intangible, including but not limited to:

- ✓ Local and foreign currencies, bills, securities and traded and tradable instruments, paid instruments or instruments.
- ✓ Banknotes, deposits and accounts with banks and other financial institutions.
- ✓ Works of art, jewelry, precious metals and others.
- ✓ Real estate and property and the rights related thereto whether personal or in kind.
- ✓ Anything used in money laundering.
- ✓ Digital Currencies, Crypto Currencies and any kind of Virtual Asset



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

3. What is considered as Money laundering crime?

Any person commits any of the following acts and is required to prove that the source of the money is lawful shall be considered a perpetrator of money laundering with the knowledge or belief:

- ✓ **Conducting any process related to the Proceed of Crime:** acquired from a criminal activity or from any act considered to be associated with a criminal activity
- ✓ **Hiding the nature, source, location, method of disposal, movement or ownership of Crime:** acquired from a criminal activity or from any act considered to be associated with a criminal activity
- ✓ **Acquiring, receiving or transferring the Proceed of Crime:** acquired from a criminal activity or from any act considered to be associated with a criminal activity
- ✓ **Keeping or possessing the Proceed of Crime:** acquired from a criminal activity or from any act considered to be associated with a criminal activity



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In accordance with Decree (4) of 2001 Concerning the Prohibition of and Combating Money Laundering, Any person commits any of the following acts and is required to prove that the source of the money is lawful shall be considered a perpetrator of money laundering:

- (a) Conducting any process related to the Proceed of Crime, with the knowledge or belief, or what causes to believe, that such proceed was acquired from a criminal activity or from any act considered to be associated with a criminal activity.
- (b) Hiding the nature, source, location, method of disposal, movement or ownership of the Proceed of Crime or any right related thereto, with the knowledge or belief, or what causes to believe, that such proceed was acquired from a criminal activity or from any act considered to be associated with a criminal activity.
- (c) Acquiring, receiving or transferring the Proceed of Crime with the knowledge or belief, or what causes to believe, that such proceed was acquired from a criminal activity or from any act considered to be associated with a criminal activity.
- (d) Keeping or possessing the Proceed of Crime with the knowledge or belief, or what causes to believe, that such proceed was acquired from a criminal activity or from any act considered to be associated with a criminal activity



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Any person commits any of the following acts shall be considered a partner in the crime of money laundering:

a-Destroying, stealing, hiding or forging any document that would facilitate the detection of the crime or the perpetrators thereof.

b-Being aware of the perpetrator's intention and providing them with facilitations or information to help them with hiding their crime or enable them to run away



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

Crimes associated with the money laundering crime:

Any person commits any of the following acts shall be considered a perpetrator of a crime associated with the money laundering crime:

a-Possessing, by way of that person's profession, business, job or any other way, information or suspicions in relation to a money laundering crime without reporting the same to the Implementing Unit.

b-Abstaining from or hindering the implementation of any decision issued by the Implementing Unit or any order the Implementing Unit causes to be issued by the investigation judge in relation to the procedures of investigating a money laundering crime.

c-Possessing, by way of that person's profession, business, job or any other way, information or suspicions in relation to taking any of the seizure and investigation actions in a money laundering crime and disclosing the same in a way that harms the investigation process



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

3. How to spot a potential money-lauderer

Here are some indicators which may lead you to a suspicion that your customer may have intentions of using your business for money laundering :

- ✓ Customer is known to be involved in, or indicates his involvement in criminal activities Customer does not want to disclose his / her residential address
- ✓ Customer has accounts with several banks in a particular jurisdiction for no obvious reason, or has recently established relationships with different financial institutions Customer uses same address but frequently changes the names involved.
- ✓ Customer is accompanied by others and watched
- ✓ Customer shows uncommon interest in your internal systems, controls and policies Customer appears to have only a vague knowledge of the amount of the transaction
- ✓ Customer goes to unnecessary lengths to justify the transaction
- ✓ Customer refuses to disclose the source of funds, or the source of funds raises a suspicion



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

3. How to spot a potential money-lauderer .. Continued

- ✓ Customer presents information/details which are confusing
- ✓ Customer is secretive, nervous or reluctant to meet in person
- ✓ The transaction is suspicious but the customer seems to be blind to the fact that he might be involved in money laundering
- ✓ Customer is involved in an activity unusual for that customer or business
- ✓ Customer insists that a transaction be done quickly
- ✓ Customer attempts to develop a close relationship with staff
- ✓ Customer uses different names and addresses
- ✓ Customer attempts to bribe or offer unusual favors to provide services which are suspicious or unusual
- ✓ Known to be associated/involved with the informal remittance system known as the Hawala System



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

Examples of Common Indicators: Reporting

- ✓ Customer tries to convince staff not to complete any documentation normally required for the transaction
- ✓ Customer indicates either directly or indirectly a desire to avoid reporting
- ✓ Customer has unusually comprehensive knowledge of money laundering issues, and the law regarding suspicious reporting
- ✓ Customer raises the subject of the transaction being 'clean' and not involved in 'money laundering'



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

Examples of Common Indicators: Identity documents

- ✓ Customer provides doubtful, vague or seemingly false or forged documentation or information
- ✓ Customer refuses to provide personal identification or refuses to present originals
- ✓ Customer attempts to establish identity using something other than a passport or identification card issued by the Government of Bahrain, or similar GCC identity card
- ✓ Customer's supporting documents lacks important details, such as telephone number
- ✓ A corporate customer delays presenting corporate documents such as Commercial Registration certificate, memorandum and Articles of association
- ✓ All identification is foreign and for one reason or another cannot be verified
- ✓ Customer willing to cancel transaction because of requesting more identification evidence or documents



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

Examples of Common Indicators: Cash Transactions

- ✓ Customer starts making frequent large cash transactions when this has not been the case in the past
- ✓ Customer uses bank notes in unusual denominations
- ✓ Customer presents notes that are suspicious in that they are extremely dirty or musty
- ✓ Customer presents notes unusually packed or wrapped for that customer
- ✓ Customer makes frequent cash transactions of similar large amounts
- ✓ Customer conducts a transaction which is unusual compared to amounts of past transactions
- ✓ Customer asks you to hold or transmit large sums of money or other assets when this type of activity is unusual for that customer



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

Examples of Common Indicators: Economic Purpose

- ✓ The transaction seems out of keeping with the customer's normal business activities, or those of that customer's particular industry
- ✓ The transaction does not appear to be economically viable
- ✓ The transaction is unnecessarily complicated

Examples of Common Indicators: Transactions involving other countries

- ✓ The customer and other parties have no apparent links to Bahrain
- ✓ The transaction crosses many international borders
- ✓ The transaction involves a country which does not have an effective anti-money laundering system, or is suspected of facilitating money laundering, or where drug production or exporting may be prevalent
- ✓ The customer uses a credit card issued by a foreign bank which is not resident in Bahrain, and the customer does not either live or work in that country of issue.

Useful sites to visit for more information on suspect countries are:

<http://www.fatf-gafi.org>



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

Specific indicators for the Jewelry Trade

Taken together with other general indicators, some examples of which have been listed above are:

- ✓ Customers who regularly purchase high value items, or purchase a large quantity of an item or items, inconsistent with the customer's normal purchases, or the normal pattern for that trade
High value items
Purchased with cash
- ✓ Customer who places a large deposit on an item, then subsequently requests a refund of the deposit
- ✓ Customer who attempts to return a recent purchase for refund with no satisfactory explanation.
- ✓ Customer attempts to sell back a recently purchased item at a significant discount
- ✓ Customer who appears to be unconcerned about the price of a particular item
Customer who appears to be unconcerned about the particular item
- ✓ Customers suspected or known to be associated with the Hawala System



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

Identifying money laundering and terrorist financing risks

There are five areas that Jewelers should be aware of when assessing their risk of being exploited for money laundering or terrorist financing:

- ✓ their products, services and delivery channels
- ✓ their clients and business relationships, including clients' activity patterns and geographic locations
- ✓ the geographic location where they do business
- ✓ new technologies
- ✓ other relevant factors affecting their business



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

Products, services and delivery channels

Jewelers offer unique products and services to the marketplace. In turn, each product and service involves unique money laundering and terrorist financing risks.

Gold, for instance, can be of considerable value and have considerable liquidity—that is, it can be converted to cash relatively easily at near-purchase value. As another example, individuals can purchase, transfer or store some types of jewelry, diamonds, gold bars and other precious metals and stones more easily than bulk cash. Accordingly, dealers are at risk for being exploited for money laundering or terrorist financing due to the following attributes associated with precious metals and stones:



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

Liquidity: This is the degree to which a product can be sold for near-purchase price. Higher liquidity means a higher risk for money laundering or terrorist financing. For example, gold has very high liquidity, while most finished jewelry does not.

Market size: A larger market makes it easier to convert a product into cash or other financial instruments, and thus presents a higher risk for money laundering or terrorist financing.

Product value: The higher the value of the product, the more attractive it is to criminals; therefore, the risk of money laundering or terrorist financing increases.

Ability to store/transfer: The easier it is to store or transport a product, the higher risk it presents for money laundering or terrorist financing. Some contributing characteristics are the durability of the product, the ease of detecting the product and the changeability of the product.



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Clients and business relationships, including activity patterns and geographic locations

When assessing the money laundering and terrorist financing risks transactions pose, you must consider how clients present themselves and conduct transactions.

- ✓ Dealing in large amounts of cash brings significant money laundering and terrorist financing risks with it, and these risks can extend beyond receiving cash as payment in a single transaction. For example, clients can make cash payments against layaway plans in an attempt to structure transactions and avoid reporting requirements.
- ✓ When it appears that cash payments are being split up to avoid this type of reporting, you should file a suspicious transaction report (STR) with the Ministry.



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

- ✓ At the same time, dealers should not assume that non-cash transactions are “clean,” since illicit funds could have been placed into the financial system prior to the transactions taking place.
- ✓ When customers use other payment methods, such as wire transfers, credit cards or cheques, jewelers should consider whether transactions are in line with what is known about the customer and whether they are normal in the context of their dealings with those customers. For example, individuals who have made arrangements to ensure their anonymity, such as purchasing through shell companies, present a risk for money laundering or terrorist financing, since this is not a normal business practice. A purchase or a series of purchases outside of the apparent means of a client should be considered when assessing the money laundering or terrorist financing risk the client presents.



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

Geographic locations where dealers do business

Jewelers must consider the location of their business, and how that affects their money laundering and terrorist financing risks. In particular, jewelers must evaluate the following characteristics:

Where the business is located

- whether they are located in a high-crime area or low-crime area
- whether they are located in a rural area, where clients may be known to them, or do business in a large city, where new clients and anonymity are more likely
- whether they see very-high-volume sales relative to the apparent financial standing of their surroundings

Where the business is conducting transactions

- whether the business operates with a storefront only, online only or through a mix of locations and platforms
- whether the business conducts transactions with foreign clients based in countries subject to sanctions, embargoes or other measures (these transactions should be considered high-risk).

Where the business's inventory is sourced from

- whether sellers are well known to the business, or the business works with a variety of providers
- whether the business has inventory or works with sellers in jurisdictions of concern.



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

New technologies

Jewelers must also consider whether their business is exposed to incremental money laundering and terrorist financing risks as a result of new technologies that their customers are using to pay for products or that they themselves are using to sell them.

New technologies differ from product to product; however, some offer benefits to potential money launderers and terrorist financiers, including enhanced anonymity, quicker transactions and transactions outside of the financial system covered by anti-money laundering and anti-terrorist financing regulations.



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

Other relevant factors affecting the business

Finally, Jewelers must consider other potentially relevant risk factors that may be affecting their risk level, and the risk level of customers, for money laundering and terrorist financing:

Elements of the DPMS's structure: Entities with a high turnover of staff may present greater risks for money laundering and terrorist financing, since their staff may be less likely to be able to recognize potential red flags. Additionally, entities that operate solely in one location have significantly different risks than entities that are part of a chain with many locations.

Use of intermediary agents: The use of intermediary agents to conduct transactions may present a higher risk. Entities should consider the transactions' appropriateness, necessity and normalcy.

Barriers to entry: For parts of the industry with higher barriers to entry, such as specialized licenses to sell, the money laundering and terrorist financing risks may be lower, since criminals may have a harder time infiltrating these markets.



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

What to do in case of a suspicion

“ REPORT.....REPORT.....REPORT”

If you are at all suspicious, then do not leave yourself open to the risk of prosecution; file a Suspicious Transaction Report! It is a simple one-page form, available online at www.sijilat.bh and you may find the steps of how to file an STR on the following link <https://bit.ly/2xzU0IN>

“You lose nothing by filing the form; you stand to lose everything if you do not.”



**Anti-Money Laundering / Terrorist Financing
Self-Defense for the Jewelry Trade**

Are
You
Protected

**You must comply with the mandatory
rules or run the risk of facing
prosecution**



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

For you as a legitimate business operating in the jewelry , you must be constantly aware of the fact that you could be the target of money-launderers. It is important that you understand your obligations under the Bahrain Anti-Money Laundering Law and Regulations; failure to comply could cost you dearly.

P

ROTECT yourself and your business by following the MOICT guidance,

and working closely with the Ministry as your regulator, adopt all the requirements set out by the ministry and do not let your business be abused by money launderers or terrorism financiers



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

Here is a brief Jewelry Trade Defense Tool-Kit : “**PROTECT**”

Procedures to be adopted on anti-money laundering, for customer identification, record keeping and reporting.

Report each and every suspicious transactions.

Officer to be designated (this could be you or one of your trusted staff) as your AML Compliance Officer.

Train your staff in your AML/ CFT policies and procedures.

Ensure you obtain customer details, including taking a copy of an identity document incorporating a photograph (i.e. passport or CPR). And all Customer information setout in article (5) of Ministerial order (173) of 2017 regardless of the value of the transaction.

Transaction documents, copies of customer identifications and all other records must be kept for a period of at least 5 years from the date the transaction with the customer finishes.



C
USTOMER
D
UE
D
ILIGENCE



CDD - Customer Due Diligence

What is customer due diligence ?

Customer due diligence is the process of identifying your customers and checking they are who they say they are. In practice this means obtaining a customer's name, photograph on an official document which confirms their identity and residential address and date of birth. There are three levels of customer due diligence: standard, simplified and enhanced.



Customer Due Diligence

Registered Persons shall, before conducting any Business Relationship or Separate Process (es), be committed to verifying the identity of the client and the ultimate beneficiary of any Business Relationship or Separate Process (es), the registered person is also obliged to follow reasonable and sufficient procedures to verify the source of the money thereof by all forms of authentication, and to not conduct the deal if the customer is unknown or do not provide proof of their identity or identity of the ultimate beneficiary.



Enhance
DUE
DILIGENCE



Enhance Due Diligence

Enhanced Due diligence is a KYC process that provides a greater level of scrutiny of potential business partnerships and highlights risk that cannot be detected by **Customer Due Diligence**.



Enhance Due Diligence

The jewelry trader must adopt enhanced due diligence in case of possibility that the transaction would involve a money laundering or terrorism financing crime in accordance with the following factors:

1. The procedures outlined identified a higher risk.
2. Another person deal on behalf of the client when the client isn't physically present when you carry out identification process.
3. When entering into a business relationship with a Politically Exposed Person (PEP).
4. Any other situation where might a higher risk of money laundering or terrorism financing exist.
5. If the ultimate beneficiary of the business relationship or separate process(es) is a person who must apply the enhanced due diligence.



**Anti-Money Laundering / Terrorist Financing
Self-Defense for the Jewelry Trade**

FAQ



Anti-Money Laundering / Terrorist Financing Self-Defense for the Jewelry Trade

-Why is Money Laundered?

Money laundering is when an individual uses illegal gains to buy items legitimately in the economy. It simply means any illegal financial gain, be it through the laundering of money or tax evasion.

-What penalties do I face if I knowingly conceal evidence of money laundering?

Any person committing, attempting or participating in a money laundering offence in Bahrain shall be liable to imprisonment for a period not exceeding Seven (7) years and a fine not exceeding Bahrain Dinars One Million (BD 1,000,000/-) (US \$2.65 Million).

- Will my name or my company's name be released to the money launderer and/or press if I am implicated in any money laundering act?

Yes this might happen.

- What should I do if I suspect that someone is involved in money laundering?

Complete a Suspicious Transaction Report and submit it to the Anti Money Laundering Department through Sijilat Portal. www.sijilat.bh

-How can I reach the Anti Money Laundering Department?

You may contact us on 17111360-17111351 or by email : aml_awareness@moic.gov.bh



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