



KINGDOM OF BAHRAIN

Ministry of Industry,
Commerce and Tourism

**Ministry of Industry, Commerce &
Tourism
Companies Control Directorate
Department of Anti Money Laundering**

**GUIDANCE ABOUT
UNITED NATIONS
SECURITY COUNCIL
RESOLUTIONS (UNSCR)**

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SANCTIONS

What is a United Nation Security Council Resolution (UNSCR)

A UNSCR is resolution adopted by the fifteen members of the Security Council; the United Nations body charged with "primary responsibility for the maintenance of international peace and security.

Who are the fifteen Members of the United Nation Security Council?

The Council is composed of 15 Members which are categorized under two categories:

five permanent members: China, France, Russian Federation, the United Kingdom, and the United States,

and **ten non-permanent members** elected for two-year terms by the General Assembly

What are the Roles of the United Nation Security Council?

There are many major roles that the security council plays but the main role is to maintain Peace and Security all over the globe

When a complaint concerning a threat to peace is brought before it, the Council's first action is usually to recommend that the parties try to reach agreement by peaceful means. The Council may:

- set forth principles for such an agreement;
- undertake investigation and mediation, in some cases;
- dispatch a mission;
- appoint special envoys; or
- request the Secretary-General to use his good offices to achieve a pacific settlement of the dispute.

When a dispute leads to hostilities, the Council's primary concern is to bring them to an end as soon as possible. In that case, the Council may:

- issue ceasefire directives that can help prevent an escalation of the conflict;

- dispatch military observers or a peacekeeping force to help reduce tensions, separate opposing forces and establish a calm in which peaceful settlements may be sought.

Beyond this, the Council may opt for enforcement measures, including:

- economic sanctions, arms embargoes, financial penalties and restrictions, and travel bans;
- severance of diplomatic relations;
- blockade;
- or even collective military action.

A chief concern is to focus action on those responsible for the policies or practices condemned by the international community, while minimizing the impact of the measures taken on other parts of the population and economy.

What kind of Obligations does a UNSCR have?

A UNSCR have a set of Sanctions are considered an enforcement measures used by the international community to maintain or restore international peace and security without the use of armed force or international military action.

The range of sanctions includes comprehensive economic and trade sanctions, as well as more targeted measures, such as arms embargoes, and financial restrictions, such as asset-freezing measures.

Is there any other Body besides the United Nations who could impose a sanction?

Yes, there are other international bodies who can impose a sanction as described below:

Europe

In Europe, the European Union promulgates and administers financial and trade sanctions, which have direct effect in all EU Member States. Again, these sanctions are normally far broader than those imposed by the UN Security Council. The countries, regimes and entities currently subject to EU sanctions can be found on the EU's Europa website.

Individual Countries

Individual countries (such as the UK and the US) also promulgate and administer their own sanctions, which again may target additional entities, persons and activities beyond those targeted by the UN or EU.

Other countries/territories also impose their own unilateral sanctions which will be enforced by a specific body. For example in the US, The Office of Foreign Assets Control ("OFAC") of the US Department of Treasury administers and enforces financial and trade sanctions in the US. US Treasury maintains jurisdiction over all US dollar transactions, and its aim is to ensure no sanctioned countries, entities or individuals engage improperly in US dollar denominated transactions. OFAC is extremely proactive and diligent in enforcing US policy and cover holders do need to consider very carefully the impact of any US sanctions on their business activities. Some US sanctions are more aggressive and far-reaching than the sanctions imposed by the UN Security Council or the EU.

The countries, regimes and entities currently subject to US sanctions are listed on US Treasury's website under the OFAC section.

What are the Types of Sanctions that can be imposed?

Financial Sanction

Financial sanctions operate in a number of ways which can range from prohibitions on all transactions including financial transactions, Financial Sanctions often also impose prohibitions against making funds or economic resources available to certain entities or individuals. These sanctions are

usually accompanied by requirements to freeze the funds and/or assets of governments, entities or individuals located in that region (and notify this to the relevant authorities).

Trade

Sanctions against trading with a particular country may have a general application such as export/import bans (these are commonly closely linked to the financial sanctions that prohibit all transactions related to that country). Alternatively, dealing in particular commodities from certain countries such as oil, timber, diamonds or arms may be embargoed.

Trade sanctions also prohibit the trade in certain goods and items, and also all activities related to such trade.

Terrorism

There are specific sanctions in place aimed at preventing terrorism. A United Nations resolution in 2001 became binding on all UN member states to prevent acts of terrorism worldwide. The resolution denounces terrorism and requires member states to deny financial support for those involved in or supporting terrorism. Additionally, the resolution enforces the sharing of information about terrorists between governments.

Al-Qa'ida and Taliban sanction regime

There is a separate Al-Qa'ida and Taliban sanction regime, where key terrorists and associated individuals and entities associated with terrorist activity are subject to separate specific measures imposed by the UN resolutions (and also measures imposed by individual countries, such as the US, EU and UK, for example).

Diplomatic Sanctions

Diplomatic sanctions may be applied by one country against another (ie unilateral sanctions) and could include the expulsion of diplomats from a country, severing of diplomatic ties, suspension of official visits and less frequently, the boycotting of sports and/or cultural events.

What is Targeted Financial Sanction (TFS)?

The term **targeted financial sanctions** as defined by the Financial Action Task Force (FATF)“ means both asset freezing and prohibitions to prevent funds or other assets from being made available, directly or indirectly, for the benefit of designated persons and entities” which are persons as individuals and organization who appears in a UNSCR as described above.

What is required and expected from your company Targeted Financial Sanction (TFS)?

There are a set of requirements and obligations that your company must adopt to be in compliance with the requirements and obligations regarding the Targeted financial sanctions which is outlined below

- 1) Your company must establish and maintain effective systems and controls to ensure that on an ongoing monitoring of your client list is maintained
- 2) Your company must take all required measures to comply with, relevant resolutions or sanctions issued by the United Nations Security Council and apply them immediately upon receipt from the Ministry of Industry, Commerce & Tourism.
- 3) Your company is obliged to immediately run a test against the UNSCR list and notify the Ministry of Industry, Commerce and Tourism regarding any findings.
- 4) The Notification to MOICT must contains information about individual or organization listed in the UNSCR who are:
 - (a) carrying on or about to carry on an activity;
 - (b) holding or about to hold money or other assets; or
 - (c) undertaking or about to undertake any other business whether arising from or in connection with (a) or (b);
 - (d) any client from your client list is acting, dealing, conducting transactions for or on behalf of a person, where such carrying on, holding or undertaking constitutes or may constitute a contravention of a relevant sanction or resolution issued by the United Nations Security Council.

5) your company must ensure that the notification stipulated in (4) above includes the following information:

(a) a description of the relevant activity as stated in point (4) (a), (b) , (c); and (d) in addition;

(b) the action proposed to be taken or that has been taken by the Relevant Person with regard to the matters specified in the notification.

6) Your company must adopt a training courses/program to ensure that all relevant staff are aware of those requirements and can apply them properly.

7) Upon receipt of the circular from MOICT, your company must report with Nil, in case of no positive findings discovered after searching your company records, the reply must be done immediately without delay.

8) Your company must update the database, internal policies and procedures, system to reflect the changes and names that are listed by the UNSCR.

Fines and Punishment that your company might face in case of noncompliance.

The Decree number 4 of 2001 With Respect to the Prevention and Prohibition of Laundering of Money , specifies at Article 3 that, Any person committing, attempting or participating in a money laundering offence 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/-).In cases where the offence of money laundering is committed by a corporate body and notwithstanding the liability of any natural person, 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.

In addition to the above fines and punishment, your company will still be subject to further administrative penalties in case of noncompliance discovered.

Frequently Asked Questions (FAQs).

Am I protected if I report any findings?

Yes, if the report has been submitted to the authorities you will not held liable or accountable in accordance with the provisions of the law.

Where do I report any findings?

Reports must be submitted to the Company Affairs Directorate as well as the Financial Intelligence Unit at the Ministry of Interior.

Reports can be sent to through any of the following channels within each authority

The Ministry of Industry , Commerce & Tourism

Email: str@moic.gov.bh

Fax: 17550836

P.O. Box: 60669, Manama –Kingdom of Bahrain

The Financial Intelligence Directorate

Email: STR@bahrainfiu.gov.bh

Fax: 17715502

P.O. Box: 26998, Manama –Kingdom

If I have any queries, whom should I contact?

If any additional information or clarifications is needed or for any kind of queries please contact the Department of Anti Money Laundering through any of the following channels, or you are most welcomed to visit out premises at second floor, MOICT head quarter, Harbor gate building, Bahrain Financial Harbor.

Email: aml_awareness@moic.gov.bh

Phone: 17111351-17111338-17111360

Fax: 17550836

P.O. Box: 60669, Manama –Kingdom of Bahrain.