

Solution spotlight | AML/CFT/CPF risk assessments

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The Central Bank of Bahrain (CBB) requires its licensees to develop anti-money laundering (AML)/countering the financing of terrorism (CFT)/countering proliferation financing (CPF) frameworks using a risk-based approach (RBA). A separate RBA section has been added to the financial crime (FC) module of each volume of the CBB rule book.

What are the regulatory requirements?

Licensees must assess money laundering (ML), terrorism financing (TF) and proliferation financing (PF) risks - which means documenting and regularly (at least annually) updating assessments to understand how, and to what extent, they are vulnerable. All licensees must put policies, controls and procedures in place which enable them to manage and mitigate identified risks and consider quantitative and qualitative information - from appropriate internal and external sources - to identify, manage and mitigate those risks, using, for example national and sectorial risk assessments; crime statistics; typologies; risk indicators and red flags; and guidance and assessments issued by inter-governmental organisations or national authorities. Licensees must consider a range of factors to assess AML risks which can be specific to:

- Country/geography
- Customer/investor
- Product/service/transaction
- Distribution channel

How are AML/CFT/CPF risks assessed?

Assessing AML risk involves a detailed examination of – among other areas – enterprise-level structures, entities, products, customer types, delivery channels and geographic spread and assigning a risk score to each parameter. A model can then be developed which identifies risks, assigns risk ratings, analyses risk mitigation measures and measures AML risk at an enterprise level.

Why assess AML/CFT/CPF risk?

Apart from being a regulatory requirement and global leading practice, assessing AML/CFT/CPF risks helps financial institutions:

- Enhance compliance
- Better understand AML/CFT/CPF risks
- Identify gaps in AML/CFT/CPF policies, procedures and processes
- Make informed decisions about risk appetite, control affects and resources
- Align AML/CFT/CPF programmes with risk profiles
- Increase awareness of AML/CFT/CPF risks, control gaps and remediation efforts
- Improve strategic decision-making such as commercial exits or other de-risking efforts



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How can KeyPoint help?

KeyPoint's financial regulatory compliance (FRCS) function has assessed AML/CFT/CPF risks for a number of financial institutions regulated by the Central Bank of Bahrain, developing comprehensive institution-specific risk-based profiles of customers, products, services, processes and geographies.