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Suspicious Activity Reporting: Best Practice Guide

Introduction

This best practice guide is designed to support Bahraini businesses in fulfilling their legal obligations to report suspicious activity related to financial crime, and other connected crimes. This reporting is done through the submission of Suspicious Transaction Reports (STRs), which, as the Central Bank of Bahrain explains, are documents that are used to report **both transactions and activities** that might reasonably be suspected to be linked to criminal activity. As such, the acronym STR is used in this guide to also cover suspicious activity reporting, which in other jurisdictions is sometimes conducted through the submission of Suspicious Activity Reports (SARs).

This guide has been compiled by the financial crime experts behind the development of AMAN, powered by Themis, a revolutionary anti-financial crime platform purpose-built for Bahrain. AMAN will transform the ease and effectiveness of businesses' suspicious activity reporting, and it will enable the Bahrain private sector to meet the government's continuing ambitions to be a leader in preventing flows of illicit finance.



The Role of the Private Sector in Financial Crime Prevention

Criminal activity pervades the global financial system – up to BD 800 billion of dirty money is laundered every year, according to the UN's Office on Drugs and Crime. These flows of dark finance are the lifeblood of the world's most dangerous terrorist and organised crime groups. The challenge of identifying and preventing the threats of illicit finance is so serious that it demands a response not only from public sector law enforcement, but also from the private sector businesses whose services criminals seek to abuse.

These international threats pose significant risks for Bahrain, which sits at an important global meeting point of financial flows and is a flourishing centre for several business sectors with high exposure to financial crime. It is for this reason that financial and non-financial businesses in the country, in line with global standards, are legally obliged to implement measures which aim to prevent financial crime, and the predicate crimes that lie behind it. These anti-money laundering (AML) and combatting the financing of terrorism (CFT) systems are core requirements for Bahraini businesses, as they underpin the country's financial sustainability and national security.

Bahrain's Commitment to be a Regional Leader in AML/CFT Excellence

As a leading financial and innovation hub with a liberal business environment, Bahrain has a diverse range of industries with international reach. The country is exposed to both domestic and international money laundering and terrorist financing risks, as well as other financial and predicate crimes. Given its role as an international financial centre and its central location in the Middle East, Bahrain is exposed to risks associated with cross-border transactions and business.

The Bahrain government is therefore deeply committed to increasing the country's anti-financial crime efforts and adhere to international standards as set out by the Financial Action Task Force (FATF). As part of this, there is a strong push within Bahrain to increase coordination and cooperation between the public and private sectors, to build understanding of financial crime risks and improve businesses' ability to mitigate them.

Bahrain's considerable progress in tackling financial crime was highlighted by the Middle East and North Africa Financial Action Task Force (MENAFATF), in its 2018 Mutual Evaluation Report (MER) on Bahrain, and its May 2022 follow-up report.

FATF Findings

Bahrain underwent its most recent FATF Mutual Evaluation in 2018, with the FATF finding that the country had a foundation for an effective regime to combat money laundering and terrorist financing but needed to further develop its measures based on risk. The country's 3rd Enhanced Follow-up Report was then published in 2022, in which FATF found the country had made progress in addressing technical compliance deficiencies. The country was rated as Compliant with 9 recommendations, Largely Compliant with 30 recommendations, and Partially Compliant with only 1 recommendation.

MENAFATF identified shortcomings regarding Recommendation 22, around DNFBPs and Customer Due Diligence (CDD), with the MER noting that implementation of CDD measures was "relatively less robust in the DNFBP sector" and the rating on this recommendation remaining 'partially compliant' in the follow-up report, signalling certain continued shortcomings.

The FATF report also highlighted room for improvement in the quality and quantity of Suspicion Transaction Reports (STRs) raised, especially across the non-banking sector. More than 4,000 STRs were filed in 2022, with banks and exchange houses being the largest contributors, with the top 5 banks contributing nearly 60% of the STRs filed in Bahrain. Conversely, the volumes of STRs raised by investment firms and the securities sector were found to be low or even non-existent.

These reports identified areas where the country's response to financial crime threats could be improved; it is a national priority that these are made for the next evaluation in 2026.



AMAN – A Government-Backed Solution Designed for Bahraini Businesses

AMAN, powered by Themis, has been developed to realise Bahrain's ambitions. AMAN is an innovative AML/CFT software platform built by financial crime experts and powered by cutting-edge artificial intelligence technology. The system is an end-to-end tool for businesses in Bahrain to use in meeting their anti-financial crime obligations, from conducting initial screening and background checks to enhanced due diligence (EDD) and automated ongoing monitoring.

AMAN aims to give firms a crucial advantage in the fight against financial crime by helping them improve their risk identification and mitigation, and by simplifying the way in which AML processes can be carried out. It will transform the private sector's ability to protect itself from fraud, fines, and reputational damage, and will form a crucial pillar of Bahrain's financial security framework, as the country continues on its path to set regional and global standards in tackling illicit finance.

A key part of this framework is AMAN's integration of a digital platform for businesses to report suspicious activity directly to the Ministry of Interior. This is one of the most serious regulatory requirements for businesses, and one of the most effective ways in which they can help to fight financial crime.



AMAN will present users with an easy-to-use interface to both manage existing suspicious activity reports and create new ones.

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eIDV

Assessment

Screen

Monitor

Search

Intelligence

History

Reports

Admin

My Account

Suspicious Activity / Transaction Report

New SAR Report

Title

Status

Date

Action

Manama Transit Trading Co.

Complete

2024-04-22 3:21:31 PM

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Pearl Solutions

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Search for existing reports

Search

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Help

The Legal Requirement to Report Suspicious Activity

The legal foundation for businesses' suspicious activity reporting obligations is established in Legislative Decree no. 4 of 2001, Concerning the Prohibition of and Combating Money Laundering, which applies to all Persons resident in Bahrain – hence, all financial and non-financial businesses registered in the country. The law lists three crimes associated with money laundering:

- 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.
- 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.
- 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.

According to the Law, any person who commits one of these crimes “**shall be sentenced to imprisonment for a term not exceeding two years and to a fine not exceeding Fifty Thousand Dinars**”. It is thus a matter of the utmost importance for businesses to comply with their obligations to report all transactions and activity suspected to involve criminality directly or indirectly (i.e. where funds are suspected to derive from criminal activity.)

The Importance of Reporting Suspicious Activity

The obligation to report suspicious activity through STRs must be looked at not as a time-consuming demand on businesses' resources, but rather as an opportunity for firms to make an invaluable contribution to the fight against financial crime, while protecting themselves from regulatory and reputational risk.

STRs are sent from businesses to the financial intelligence unit (FIU) of Bahrain, which collates, sorts, analyses and distributes information on potential illicit finance activity to national law enforcement bodies and other FIUs around the world. The Bahraini FIU, the Financial Intelligence National Centre, transforms reports into intelligence resources that are used to launch investigations, conduct prosecutions, and ultimately catch and sanction criminals.

Each STR, although it may seem individually insignificant, contributes to the bank of information being accumulated by the FIU, the Ministry of Interior and the Ministry of Justice. This information serves not only as vital evidence in individual criminal cases, but also as a dataset from which new trends in the ever-evolving threats of illicit finance can be identified.

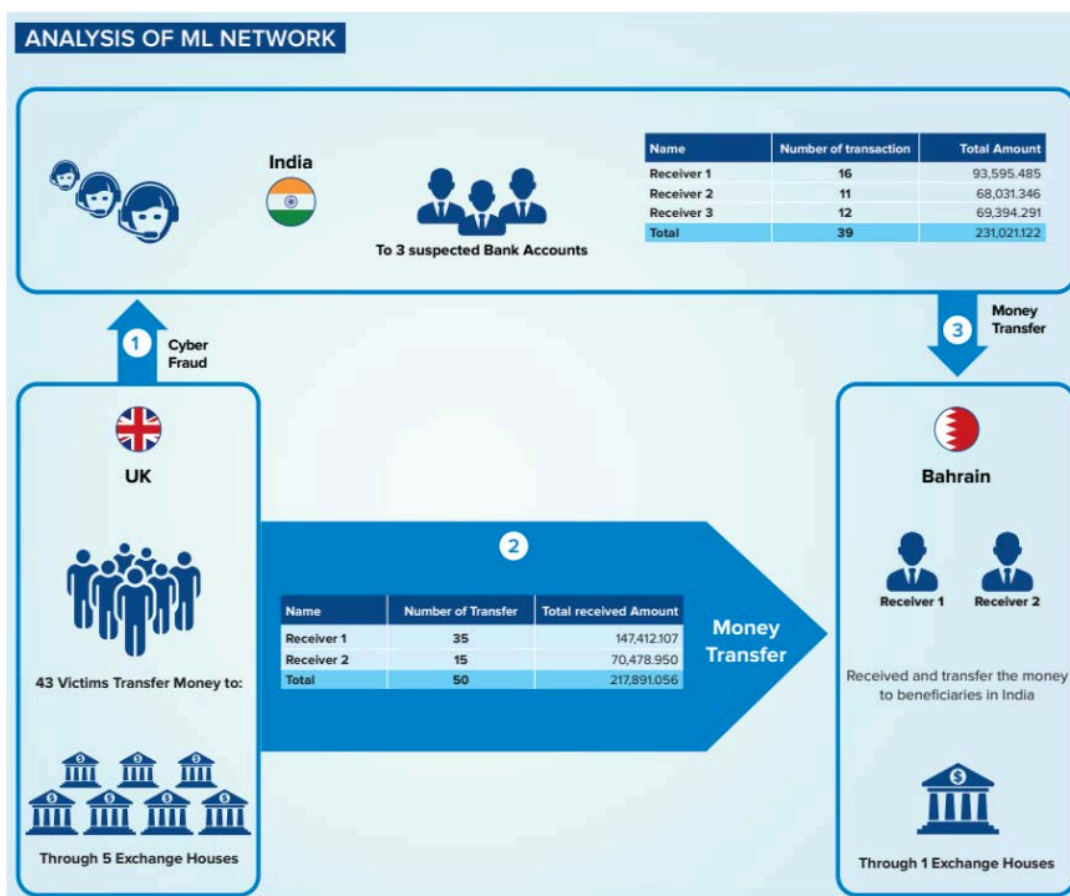
The Egmont Group, an association of 174 national FIUs (including Bahrain's), underlines how important STRs are for law enforcement. Its 2021 summary of the best cases launched by its members in the past six years highlighted the role STRs and SARs play in Bahraini (and international) law enforcement:

In 2016, Bahrain's Financial Intelligence Unit unravelled an international money laundering scheme after a money exchange institution operating in Bahrain filed an STR.

The STR identified an individual who was flagged because he was transferring funds from different branches of the same exchange house with amounts not exceeding the reporting threshold; in addition, the total amount of the different transactions did not fit the individual's financial profile. He was unable to offer a legitimate explanation for the source of these funds.

After analysing the statements provided by the exchange institutions, it was found that the organisation run by the individual and his associates within Bahrain received payments from September 7, 2015, to July 24, 2016, for a total of 179 financial transfers amounting to BHD 105,638 (USD 280,181).

The investigation revealed that these payments were the proceeds of cyber fraud crimes in 10 different countries affecting 118 victims. The suspects were captured and sentenced to five years in prison, and the illegally obtained funds were seized.



Source: *The Egmont Group*

Tips for a Good Report

STRs are therefore an essential part of Bahrain's national security framework, and it is in the interests of the whole country to improve the quality and quantity of the reports that businesses submit. The AMAN system has been developed to realise this aim, by providing tools that will transform businesses' ability to identify risk and detect suspicious activity, and by designing a comprehensive, user-friendly STR submission interface.

To maximise the value that firms, and the FIU, can obtain from the AMAN reporting mechanism, it is recommended that users consult the following best practice guide for submitting STRs. These simple tips focus on the content of an STRs (what information a reporter should put in a given report) and its style (how that information should be presented).

Tips for a Good Report – Content

- The AMAN report template requires users to fill out a number of data fields – this should be done as accurately as possible, with reporters double-checking the details of their submissions.
- The most important section of a report is its description, or narrative – on the AMAN platform, this should be provided in the section entitled Type of Transaction or Activity.
- It should include a comprehensive account of the activity or transaction in question, with information on the background to the report and a description of the parties involved.
- The purpose of the description is to outline the reasons why transactions or activity are suspicious.
- It should aim to answer six key questions:
 - Who is involved in the suspicious activity?
 - What exactly is being done?
 - When did it take place/for how long has it been taking place?
 - Where is it being done? (This will likely involve multiple locations/jurisdictions, not exclusively Bahrain)
 - Why is/was this activity carried out?
 - How is it being done?
- In addition, the description should include a list of any red flags for criminal activity – the inclusion of direct references to financial and predicate crime typologies/indicators is very helpful for the supervising authority and the FIU to organise and link together their databases.

Tips for a Good Report – Style

- Write clearly and concisely – make all information, especially the reasons for suspicion, easy to understand.
- Structure logically – give a chronological account of transactions and take the reader through the story of suspicious activity step-by-step.
- Avoid jargon/acronyms as much as possible.
- Give a simple explanation of technical terms you need to use.

Confidentiality is Essential – No Tipping Off

It is essential for businesses to keep in mind that STRs are highly confidential documents, to be shared only with the FIU and the relevant supervisory authority (e.g. the Central Bank). One of the offences listed in Bahrain's AML law is the "disclosing [of information or suspicions about a money laundering case] in a way that harms the investigation process"; this is often known as the *tipping off* of suspected money launderers.

It is vital that businesses do not deliberately or inadvertently tell their clients, or indeed anyone involved in an STR, that they are under suspicion. Otherwise, they not only run the risk of jeopardising the investigation but are also liable to legal penalties including fines and imprisonment. If a business wishes to conduct enhanced due diligence processes and investigations into a customer (or potential customer), but considers that such processes would likely tip off that customer about its suspicions, it may choose not to pursue that process, and must file an STR.



Exemplar STR Narrative

This exemplar narrative section demonstrates what a clear and comprehensive description of suspicious activity looks like. In addition to answering the key questions (who/what/when/where/why/how), this description has several good features which are highlighted and commented upon below. While the AMAN platform renders the compilation and submission of reports far easier and more efficient, the quality with which users write their narrative sections will still make a significant difference to the overall usefulness of their suspicious activity reporting.

Good Bank investigation file number
AA67325.

This STR is being filed to summarize suspicious cash deposits and wire transfer activity conducted by Abdul Akbar, account #12345678910. Abdul Akbar has been a bank customer since April 2022. Mr. Akbar is a university student and employed part-time at Manama Metro Cafe. Cash deposits to Mr. Akbar's personal checking account are structured to possibly circumvent monitoring systems. The deposits are followed by immediate wire transfers to Bangla Bank in Dhaka, Bangladesh to a single beneficiary, Salman Akbar, account #981012345, with an address located in Bangladesh. Specifically, the following activity has been observed: cash deposits (dates followed by amounts): 15/03/23 BD 3,550.00; 17/03/23 BD 3,700.00; 18/03/23 BD 3,650; total: BD 10,900. Wire transfers out (dates followed by amounts): 16/03/23 BD 3,550.00, 18/03/23 BD 3,700.00, 19/03/23 BD 3,650.00. The volume and frequency of the deposits is not consistent with previous banking transactions conducted by Mr. Akbar. The amounts of currency do not appear consistent with the customer's stated employment. Also, the relationship between the customer and Salman Akbar and the purpose for the wire activity is unknown. Therefore, due to the structured cash deposits by the customer on almost consecutive days into the account, and the immediate wire transfer of the funds out of the account to Salman Akbar, Bangla Bank, account #891012345, Dhaka, Bangladesh, this STR is being filed. Investigation is continuing. The bank's financial intelligence unit in Manama, Bahrain, maintains all records related to this STR.



Clear introductory explanation of the reasons for submitting the report.



Identification of a money laundering typology red flag.



Inclusion of fund recipients in foreign jurisdictions provides useful information to FIU analysts.



Detailed explanation of why the listed transactions have raised suspicions with the bank.



Clear statement of subsequent actions and ongoing monitoring being conducted by the financial institution.

Post-Reporting Process

After submitting an STR, the related customer or business relationships should immediately be classified as high-risk. This may result in a business wishing to terminate its relationship with a customer. If the relationship is continued, the business should conduct appropriate risk-based enhanced due diligence and implement ongoing monitoring procedures. The need to preserve the confidentiality of an STR remains, however: businesses may choose to not conduct enhanced customer due diligence investigations if they consider that the process might tip off a customer about their suspicions.

These due diligence and monitoring functions can all be performed within the AMAN system, which offers businesses a truly comprehensive anti-financial crime solution.

The Costs of Getting it Wrong

Past cases have underlined how seriously authorities treat failures by businesses to report suspicious activity. This applies to all firms covered by Bahrain's AML/CFT legislation, not just banks and other mainstream financial institutions. For example, in 2021, an audit office owner was fined BD 20,000 as part of a criminal conviction for failing to apply legally mandated AML/CFT measures, including a failure to 'submit reports on suspicious operations'.

The risks of enforcement action are, therefore, all too real for every business covered by the AML legislation. With the next MENAFATF review fast approaching, and authorities determined to improve upon previous evaluations, the scrutiny on the Bahrain private sector is set only to increase. It is thus entirely in businesses' own interests to fully invest in the technology and training that will allow them to meet the government's AML/CFT demands, protecting themselves from regulatory and reputational risk while also protecting their country from financial crime.

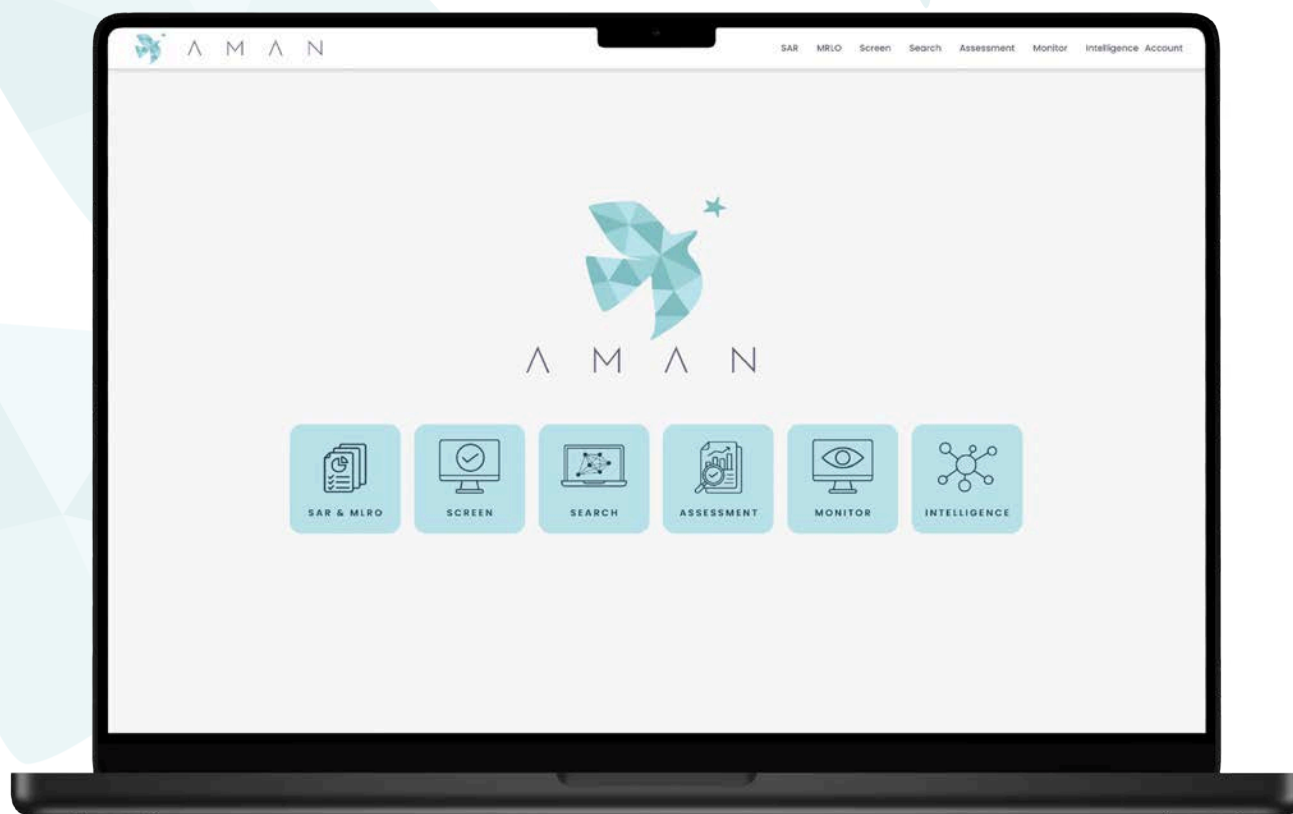




SEAL OF APPROVAL

A New Mandate To Combat Financial Crime

Created to support the Government of Bahrain's vision for a secure financial hub, AMAN ensures that government ministries, private sector firms, and NGOs have the best tools for financial crime due diligence and investigations in line with FATF and local standards. As the only platform in Bahrain offering a unified system for financial crime processes—including SAR, STR, and MLRO reporting—AMAN delivers robust compliance solutions for risk mitigation and regulatory alignment across all jurisdictions.



AMAN

End-to-end Solutions

Founded, developed and delivered by financial crime subject matter experts, we help clients manage their financial crime risk exposure with our AI powered platform.



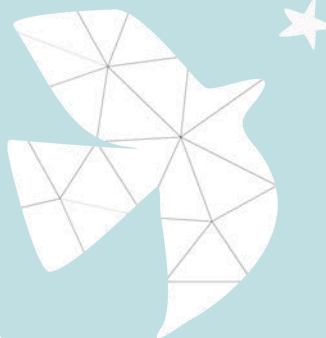
AML PLATFORM

KYC and AML due diligence SaaS platform, powered by the best data in the Middle East.



INTELLIGENCE EDD REPORTS

In-depth investigations and Enhanced Due Diligence (EDD) reports by skilled financial crime investigators.



INSIGHT & TRAINING

World-leading research and training into financial crime threats, working with both the public & private sectors.



INSOURCING & OUTSOURCING

An extension of your in-house team, we can help you navigate complex regulatory landscapes with confidence.

Get in Touch

If you would like to talk to us about any of the themes or updates covered in this report, please let us know.

aman@wearethemis.com

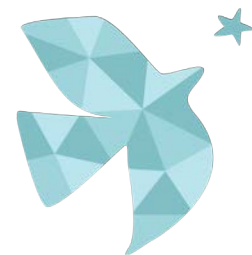
About AMAN Powered by Themis

AMAN helps organisations identify and manage their financial crime risks with a blend of innovation, insight, intelligence and insourcing. We offer a cutting-edge platform that provides deep understanding of strategic threats through an ESG and socio-economic lens. Our platform protects clients, suppliers, and third parties from criminal attacks or association, meeting the stringent requirements of the Ministry of Interior and the Ministry of Justice for SAR and STR submissions. Created and supported by financial crime experts, AMAN is endorsed by the Government of Bahrain.



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