



Bahrain

COUNTRY RISK BRIEFING – 2025





Country Overview

**Location:**

Island nation in the Persian Gulf, connected to Saudi Arabia via the King Fahad Causeway

**GDP:**

Nominal GDP of \$46.9 billion (2024 World Bank estimate)

**Capital:**

Manama

**Education:**

High literacy; expanding higher education sector

**Currency:**

Bahraini Dinar (BHD)

**Major Economic Sectors:**

Financial services, oil and gas, aluminium manufacturing, ICT, tourism

**Population:**

Approx. 1.64 million (2025 UN estimate)

**Natural Resources:**

Oil, natural gas, aluminium, fish

**Unemployment Rate:**

5.5% (2024 Government estimate)

**Government:**

Islamic constitutional monarchy

Economy & Politics

Bahrain is a diversified Gulf economy, with a significant non-oil sector that contributes approximately 86% to GDP. Known for its openness to global trade and finance, Bahrain is a regional leader in Islamic banking and fintech innovation. Its free trade agreement with the US and modern infrastructure (like Khalifa Bin Salman Port) bolster its status as a logistics and business hub.

Despite its liberal economy, Bahrain faces geopolitical challenges due to its proximity to Iran and tensions arising from past political unrest. While reforms have been undertaken to foster greater political participation, governance remains highly centralised. Regional alliances with the GCC and US military presence reinforce its strategic importance.

The Kingdom's government, led by King Hamad bin Isa Al Khalifa, has implemented a series of economic reforms to attract foreign investment, develop human capital, and enhance the business climate. Bahrain Vision 2030 continues to serve as the

country's economic blueprint, aiming to diversify income sources and reduce reliance on hydrocarbons. The country has made strong advancements in telecommunications, ICT infrastructure, and tourism, supported by major international events such as the Formula 1 Grand Prix.

However, political freedoms remain limited, with opposition movements and civil society groups facing restrictions. The aftermath of the 2011 Arab Spring protests still influences domestic politics, with ongoing calls for greater democratic participation and human rights reforms. While stability is generally maintained, underlying social and political tensions can flare during periods of regional or economic stress.

Bahrain's high connectivity and deregulated economy also create avenues for cross-border financial crime. Rapid digitalisation, growth in fintech, and increasing international investment heighten the need for robust AML/CFT controls.



Themis Expert View

WRITTEN BY:



Eliza Thompson
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Bahrain’s transformation into a diversified financial and trade centre brings both opportunities and risks. Financial services, real estate, and ICT sectors are expanding, but this openness also attracts sophisticated financial crime typologies. The country’s dual role as a logistics gateway and regional investment hub creates particular vulnerabilities to money laundering, trade-based crime, and sanctions evasion.

High-profile cases like Future Bank and cross-border laundering schemes illustrate ongoing threats. The FATF recognises Bahrain’s AML progress, but DNFBPs and NPOs remain regulatory blind spots. Emerging risks around fintech, crypto assets, and fraud demand forward-thinking regulatory oversight.

A key challenge for Bahrain is balancing financial innovation with risk mitigation. The Kingdom’s commitment to developing its fintech ecosystem, including a robust regulatory sandbox and support for cryptocurrency platforms, makes it an attractive destination for startups and investors. However, this also requires enhanced due diligence mechanisms, transaction monitoring capabilities, and clear regulatory guidelines to prevent exploitation by bad actors.

Additionally, Bahrain’s role as a regional transport and finance hub increases its exposure to trade-

based money laundering and sanctions evasion activities. The country’s complex network of free zones and cross-border financial ties demands vigilant enforcement and international cooperation. The informal economy and gaps in beneficial ownership transparency further complicate efforts to trace illicit financial flows.

The Themis view is that while Bahrain demonstrates commendable regulatory ambition and progress, sustained investment in institutional capacity, technology-led compliance tools, and sector-specific supervision is essential. In particular, strengthening risk-based oversight for NPOs and DNFBPs, improving inter-agency coordination, and maintaining political will to enforce AML/CFT measures against politically exposed or strategically significant actors will be crucial to minimising systemic risk.

	ENVIRONMENTAL CRIME	
	TERRORIST FINANCING	
	SANCTIONS EVASION	
	FRAUD	
	TAX CRIME	
	BRIBERY & CORRUPTION	
	MONEY LAUNDERING	
	DRUG & ARMS TRAFFICKING	
	MODERN SLAVERY & HUMAN TRAFFICKING	
	CYBERCRIME	
	FINANCIAL SECRECY	

Regulatory Overview

Primary Anti-Financial Crime Regulators and Agencies:

- **Central Bank of Bahrain (CBB):** Supervises financial institutions and enforces AML/CFT rules.
- **Financial Intelligence Directorate (FID):** Bahrain's FIU; handles SARs and financial intelligence.
- **National Anti-Money Laundering Committee (NAMLC):** Coordinates AML policy and risk assessments.
- **Ministry of Industry, Commerce, and Tourism (MoICT):** Supervises DNFBPs and company registrations.
- **Ministry of Interior (MoI):** Responsible for law enforcement and public safety.
- **General Directorate of Anti-Corruption and Economic & Electronic Security:** Investigates cyber, corruption, and financial crimes.
- **National Anti-Corruption Commission (NACC):** Enhances public/private sector integrity.

Primary Anti-Financial Crime Legislation:

- **AML Law (2001; amended 2006, 2018)** – Criminalises money laundering and mandates financial institutions and designated non-financial businesses to implement customer due diligence, record-keeping, and suspicious transaction reporting. The 2006 amendment (Law No. 54) expanded the scope to include terrorist financing, while the 2018 amendment (Decree-Law No. 57) enhanced the definition of predicate offences and aligned the framework with FATF standards.
- **Law No. 6 (2007):** Prohibition of Terrorist Financing – Specifically targets the financing of terrorism by criminalising the collection, provision, or use of funds intended for terrorist acts or organisations. Supports and reinforces Bahrain's obligations under international counterterrorism frameworks and complements broader AML/CFT measures.
- **Cybercrime Law (2014)** – Covers a comprehensive range of cyber offences, including unauthorised access to IT systems, data breaches, electronic fraud, identity theft, cyber defamation, and the dissemination of illegal content. The law also provides for investigative powers such as data retention and seizure to support enforcement.
- **Law No. 1 (2008):** Human Trafficking – Prohibits all forms of human trafficking, including forced labour and sexual exploitation. Establishes penalties of 3 to 15 years' imprisonment and fines, while providing victim protection measures and creating a national committee to coordinate anti-trafficking efforts.
- **Penal Code (1976; amended 2017)** – Bahrain's core criminal legislation, covering general criminal offences, punishments, and procedural rules. Amendments through 2017 and beyond updated provisions related to bribery, professional obligations, and crimes against public interest, aligning with international standards and improving enforcement tools.
- **Cabinet Order No. 12 (2021):** AML/CFT refinement – Refines Bahrain's AML/CFT regulatory regime by enhancing measures on beneficial ownership transparency, prohibiting certain cash transactions (e.g., in real estate), and empowering national authorities to impose sanctions or designate individuals/entities involved in money laundering or terrorism financing. Aimed at strengthening compliance with FATF recommendations.

Financial Action Task Force Assessment

Bahrain underwent its most recent FATF Mutual Evaluation in June 2018, which recognised its reasonably strong AML/CFT legal framework and improvements in financial intelligence and international cooperation. However, the evaluation identified weaknesses in supervision, enforcement, transparency of beneficial ownership, and preventative measures across some sectors. Since then, Bahrain has taken significant steps to address these issues, and in the FATF's May 2022 Follow-Up Report, progress was acknowledged—particularly in customer due diligence and sanctions enforcement—although some challenges remain, including the full implementation of preventive measures and enhanced use of financial intelligence.

Category	2018 FATF Mutual Evaluation	2022 FATF Follow-Up Report
Overall Assessment	Bahrain's AML/CFT framework was found to be moderately effective overall, with significant areas for improvement	Bahrain is recognised for strong reform progress and remains under enhanced follow-up
Technical Compliance Ratings	Compliant: 8 Recommendations Largely Compliant: 26 Recommendations Partially Compliant: 6 Recommendations	Compliant: 9 Recommendations Largely Compliant: 30 Recommendations Partially Compliant: 1 Recommendation
Key Risks Identified	- Domestic and regional terrorism financing threats - Use of cash couriers and hawala systems - Smuggling and trade-based laundering - Abuse of NPOs - Complex legal structures for money laundering - Exposure to foreign predicate crimes - Corruption	
Strengths	- Strong understanding of ML/TF risks - Asset confiscation - Targeted sanctions - International cooperation - Domestic cooperation	
Areas for Improvement	- NRA coverage and quality - ML/TF investigation and prosecution (as a distinct offence) - DNFBP compliance and CDD - Addressing potential risks related to NPOs	

Financial Crime Risk Matrix

Crime Type	Risk Level*	Key Indices	Key High-Risk Sectors	Cross-Border Nexus
Environmental Crime	Low-Medium	Global Organized Crime Index 2023 see here* Flora Crimes: 3.50 Fauna Crimes: 6.00 Non-Renewable Resource Crimes: 6.50 <i>*Global Crime Index Score is on a 10-0 scale, with 0 being non-existent crime to 10 being severe influence.</i>	Construction, maritime trade, forestry (limited)	Often transnational (e.g. wildlife trafficking, marine pollution)
Terrorist Financing	Low	Global Terrorism Index (GTI) 2025 see here* Overall Score: 0.06 / 10 (Ranked 98th of 163 countries) <i>*The GTI scores each country on a scale from 0 to 10; where 0 represents no impact from terrorism and 10 represents the highest measurable impact of terrorism.</i>	NPOs, religious charities, transport/logistics	Land & sea smuggling links to Iran, Hezbollah
Sanctions Evasion	Low-Medium	No sanctions against government of Bahrain identified. Secondary US sanctions have been imposed on Bahraini entities.	Banking, offshore finance, correspondent accounts	Nexus with Iran-linked entities under US and UN sanctions
Fraud	Medium	Authorities have noted an uptick in fraud in recent years.	Financial services, e-commerce, investment schemes	Cross-border investment scams and social media fraud targeting foreign investors
Cybercrime	Medium	National Cyber Security Index see here* Overall score: 60.83/100; Ranked 40th <i>*Index measures the preparedness of countries to prevent cyber threats, with 100 representing the highest level of cybersecurity readiness</i> Global Organized Crime Index 2023 see here* Cyber-Dependent Crimes; 7/10 <i>*Global Crime Index Score is on a 10-0 scale, with 0 being non-existent crime to 10 being severe influence.</i>	Government, financial sector, SMEs, telecom	Ransomware, phishing, malware & AI-enabled scams often originate abroad

Crime Type	Risk Level*	Key Indices	Key High-Risk Sectors	Cross-Border Nexus
Bribery & Corruption	Medium	Transparency International Corruption Perceptions Index 2024 see here* 1/5300 (Ranked 53rd of 180 countries) <i>*Transparency International Corruption Perceptions Index score is the perceived level of public corruption, where 0 means highly corrupt and 100 means very clean.</i> Trace 2024 Bribery Risk Matrix see here* Rank: 153rd; Score 63/100 <i>*Trace measures business bribery risk with a lower score indicating a lower bribery risk, while a higher score indicating a higher bribery risk.</i> Global Organized Crime Index 2023 see here* Government Transparency and Accountability: 4.5 / 10 State-Embedded Criminality: 4 / 10 Private Sector Criminality: 6 / 10 <i>*Global Crime Index Score is on a 10-0 scale, with 0 being non-existent crime to 10 being severe influence.</i> Worldwide Governance Indicators see here* 59.43 / 100 <i>*The WGI represent a country's score and rank among all countries worldwide on each governance dimension.</i>	Public Sector, NGOs, Construction, Healthcare	Often involves international financial networks and offshore havens
Money Laundering	Medium	Basel AML Index 2024 see here* 5.17 / 10 (Ranked 85th of 164 countries) <i>*Basel AML Score is on a 10-0 scale, with 10 representing the maximum risk.</i> Global Organized Crime Index 2023 see here* Financial Crime: 7 / 10 AML Resilience: 5.5 / 10 <i>*Global Organized Crime Index Score is on a 10-0 scale, with 0 denoting non-existent crime and 10 severe influence.</i>	Retail & wholesale banking, currency exchange	Iran-related laundering, offshore entities, cash smuggling routes

Tax Crime	Medium	OECD Global Forum on Transparency and Exchange of Information for Tax Purposes see here* Compliant Tax Justice Network Financial Secrecy Index see here* Score 69/100; Ranking 55/141 <i>*Secrecy index measures the level of financial secrecy, with 0 meaning no secrecy and 100 meaning maximum secrecy.</i>	Offshore financial services, corporate sector	Secrecy structures, tax base erosion via international entities
Financial Secrecy	High-Medium	Tax Justice Network Financial Secrecy Index 2025 see here* Overall score: 69/100 (55/141) <i>*Secrecy index measures the level of financial secrecy, with 0 meaning no secrecy and 100 meaning maximum secrecy.</i>	Offshore financial services, corporate sector	Secrecy structures, tax base erosion via international entities
Drug and Weapons Trafficking	Medium-High	Global Organized Crime Index 2023 see here* Heroin Trade: 5.00/10 Cocaine Trade: 4.00/10 Cannabis Trade: 5.50/10 Synthetic Drug Trade: 7.00/10 Arms Trafficking: 5.00/10 <i>*Global Crime Index Score is on a 10-0 scale, with 0 being non-existent crime to 10 being severe influence.</i>	Transport/logistics, ports, maritime industry	Flows from Iran/Iraq/Yemen via maritime and land routes
Modern Slavery & Human Trafficking	Medium-High	Global Organized Crime Index 2023 see here* Human Trafficking: 8.00/10 Human Smuggling: 5.50/10 <i>*Global Crime Index Score is on a 10-0 scale, with 0 being non-existent crime to 10 being severe influence.</i> US State Department's 2024 Trafficking in Persons Report Tier 1 – Bahrain fully meets the minimum standards for the elimination of trafficking	Domestic work, construction, hospitality	Migrant labour flows from Asia; abuse during recruitment, visas, or work permits

*Methodology: Each financial crime risk rating is derived from a combination of globally recognised indices and supplementary risk factors. Each index score is normalised and translated into a Red-Amber-Green (RAG) rating. Specifically, jurisdictions or entities are grouped based on their position within the distribution of index values, with the top, middle, and bottom third of scores per index corresponding respectively to Green, Amber, and Red (e.g. a 5/10 rating in one index would be equivalent to a 12/24 rating in another). Additional risk factors — such as enforcement actions, FATF evaluations, and our own Themis internal intelligence — also influence the final RAG classification through an overlay and adjustment process.

Areas of Financial Crime Vulnerability



- **Trade-Based Money Laundering (TBML):** Bahrain's strategic location and role as a trade and logistics hub expose it to TBML risks, particularly through invoice fraud, phantom shipments, and misuse of free trade zones.
- **Offshore Financial Activity & Financial Secrecy:** The country's offshore financial institutions and corporate structures can obscure beneficial ownership, and Bahrain scores relatively high on financial secrecy indices.
- **Informal Economy Exposure:** A large informal workforce in construction, domestic work, and retail contributes to unregulated financial flows.
- **NPO and Charitable Sector Controls:** NPOs have been exploited for terrorist financing despite blanket restrictions; risk-based targeting and sectoral outreach remain weak.
- **Professional Services Risk:** There is inconsistent customer due diligence (CDD) and beneficial ownership verification across Designated Non-Financial Businesses and Professions (DNFBPs).
- **Emerging Fintech & Crypto Vulnerabilities:** The rapid growth of Bahrain's fintech sector presents new risks in peer-to-peer platforms and crypto misuse for laundering and fraud.

Financial Crime Risk In-Depth

01 Money Laundering: Medium Risk

Bahrain faces medium-level money laundering (ML) risk, driven by a combination of domestic predicate offences and cross-border vulnerabilities. Key channels include investment fraud, retail banking, currency exchange, and the misuse of offshore structures and shell companies. The 2021 National Risk Assessment identifies ML as a significant threat, with weaknesses in customer due diligence and beneficial ownership transparency—particularly in the real estate and DNFBP sectors. The most notable case remains the Future Bank scandal, which revealed the use of formal banking infrastructure to launder over US\$1.3 billion in funds linked to Iranian state-owned entities. Other laundering methods include trade-based money laundering (TBML), cross-border couriers of cash, and the use of unlicensed money remitters. While the Central Bank of Bahrain (CBB) has improved supervision, especially of licensed institutions, vulnerabilities persist in non-bank financial institutions and informal channels. The lack of consistent implementation of a risk-based approach across supervisory authorities further compounds the risk of undetected laundering in high-risk sectors.

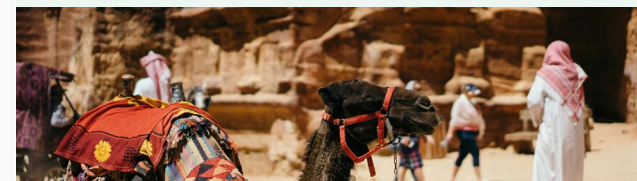


02 Bribery & Corruption: Medium Risk

Corruption in Bahrain affects both the public and private sectors, with international organisations ranking the Kingdom mid-range in global perception indexes. The Transparency International Corruption Perceptions Index places Bahrain in the 50s range, reflecting perceptions of entrenched bureaucratic and political influence. High-profile cases, such as the Alcoa aluminium bribery scandal, which involved allegations of payments made through Bahrain-based intermediaries to secure contracts, underscore systemic weaknesses in public procurement and corporate governance. While Bahrain has established several anti-corruption bodies—such as the National Anti-Corruption Commission (NACC) and the General Directorate for Economic & Electronic Security—concerns persist around conflict of interest, weak oversight of public finances, and opaque political patronage networks. The 2011 political unrest further eroded public trust, with subsequent calls for greater transparency largely unmet. Sectors such as construction, real estate, and government procurement remain particularly vulnerable.

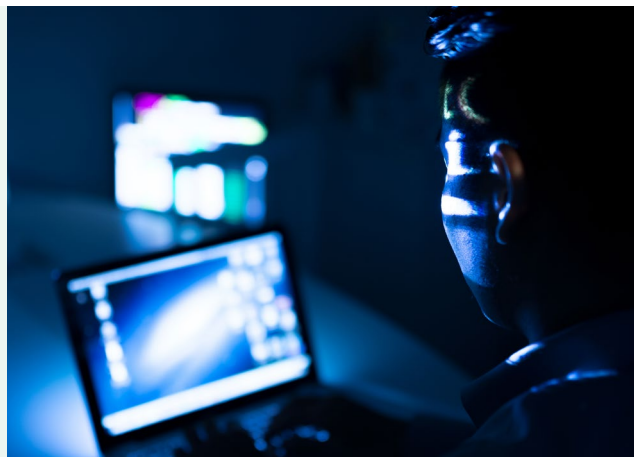
03 Terrorist Financing: Low Risk

Although Bahrain's operational exposure to domestic terrorism remains low, its terrorist financing (TF) risk profile is complex. The country has experienced past activity linked to Iranian-backed groups and designated terrorist organisations such as Hezbollah. Authorities have prosecuted multiple TF cases involving fund movement, support logistics, and financial facilitation for such actors. Vulnerabilities centre on the misuse of NPOs, smuggling of cash, and inadequate sectoral outreach. Bahrain has taken steps to improve its compliance with UN Security Council Resolutions and to align its TF criminalisation with the International Convention for the Suppression of the Financing of Terrorism. However, the FATF continues to note limited detection of TF as a distinct offence, with cases often pursued only when tied to broader terrorism investigations. Controls on domestic fundraising and international financial transfers from the NPO sector remain underdeveloped. Despite recent improvements, risk-based targeting and proactive TF detection are still limited in scope.



04 Sanctions Evasion: Low-Medium Risk

No sanctions have been imposed against the government of Bahrain. However, while not subject to international sanctions itself, the country has been implicated in significant sanctions evasion schemes, particularly those involving Iran. The most notable example is the Future Bank case, which uncovered a network of disguised transactions used to circumvent US and international sanctions—facilitated through Bahraini banking channels. Future Bank acted as a conduit for the Central Bank of Iran and other sanctioned Iranian institutions, processing over US\$1.3 billion in concealed payments using SWIFT masking and false documentation. This case exposed the vulnerability of Bahrain's correspondent banking networks, as well as compliance weaknesses in cross-border payment monitoring. Though reforms have since been introduced, including enhanced scrutiny of transactions with sanctioned entities and designated individuals, FATF assessments continue to highlight Bahrain's exposure to extraterritorial risk, especially given its proximity to Iran and role as a regional financial hub. The secondary sanctions regime of the US remains a significant compliance risk for Bahraini institutions.



05 Drug & Weapons Trafficking: Medium-High Risk

Bahrain's proximity to Iran, Iraq, and Yemen—regions associated with high levels of organised criminal activity—makes it vulnerable to the trafficking of synthetic drugs, heroin, and arms. The Global Organized Crime Index scores Bahrain high in drug-related trafficking, particularly in the transit and retail of synthetic drugs and cannabis. The ports and maritime infrastructure, including Khalifa bin Salman Port, are exposed to the risk of concealed shipments and transnational smuggling networks. Bahrain's anti-narcotics authorities have disrupted several shipments from neighbouring countries, and there are growing concerns about the use of commercial transport and logistics firms in drug movement. While arms trafficking is less widespread, occasional seizures and intelligence reports suggest that small arms are moved through regional smuggling routes, often in connection with militant or insurgent actors. Enforcement agencies continue to strengthen maritime security, but coordination challenges across borders persist.

06 Fraud: Medium Risk

Fraud is one of Bahrain's most common predicate offences for money laundering. The country has seen a marked rise in online investment fraud, Ponzi schemes, and social media-based scams, many of which target both residents and foreign investors. The use of unlicensed crypto trading platforms, fake forex schemes, and fraudulent real estate offerings are particularly prevalent. Bahraini authorities have recognised this threat and have moved to strengthen the national response, including plans for a dedicated national fraud operations centre. Law enforcement also reports instances of identity theft, document falsification, and misuse of digital financial services in fraud schemes. Financial institutions face challenges in detecting novel fraud typologies, especially those enabled by fast-moving fintech products. Despite regulatory updates, consumer awareness and digital risk literacy remain uneven, particularly among younger or lower-income populations.

07 Cybercrime: Medium Risk

Cybercrime poses a growing threat in Bahrain, particularly in light of the Kingdom's digital transformation and strong uptake of fintech services. Bahrain ranks above the global average in cybersecurity readiness but still faces significant exposure to phishing attacks, ransomware, malware, and AI-generated scams. Government and financial institutions have been targeted, with attacks occasionally disrupting services or exposing sensitive data. The country's Cybercrime Law (2014) criminalises a wide range of cyber offences, and enforcement capacity has improved through the General Directorate for Economic & Electronic Security. However, as more financial services migrate to digital channels—including peer-to-peer platforms, mobile payments, and digital assets—threat actors are rapidly evolving their tactics. Bahrain's SME sector, which often lacks dedicated cybersecurity infrastructure, remains particularly vulnerable. Law enforcement has also identified the use of cryptocurrency for laundering cybercrime proceeds, particularly in fraud and ransomware schemes.

08 Modern Slavery & Human Trafficking: Medium-High Risk

Despite being classified as Tier 1 in the US Trafficking in Persons Report, Bahrain remains vulnerable to forced labour, debt bondage, and migrant worker exploitation. The Kingdom relies heavily on migrant labour, particularly in construction, domestic work, and hospitality, sectors that often involve recruitment fee abuse, passport confiscation, and restrictive employment practices. Bahrain has enacted Law No. 1 (2008) to criminalise all forms of human trafficking and has established institutional mechanisms to support victims. However, enforcement remains uneven, especially among private employers and manpower agencies. The kafala sponsorship system, while formally reformed, still allows exploitative practices to persist. Civil society organisations have also raised concerns about limited access to justice and poor labour grievance redress mechanisms for trafficked or abused individuals. While the legal framework is in place, implementation challenges continue to undermine full eradication efforts.



09 Tax Crime & Financial Secrecy: Medium Risk

Bahrain has historically maintained a low-tax regime, including no personal income tax and minimal corporate taxation, which has led to perceptions of it being a secrecy jurisdiction. While Bahrain is rated “compliant” by the OECD on transparency and exchange of tax information, the Financial Secrecy Index ranks it moderately high for financial opacity, particularly in corporate services and offshore structuring. There is limited public access to beneficial ownership registers, and some real estate transactions remain cash-intensive, despite recent prohibitions. VAT was introduced in 2019, and the authorities have begun pursuing VAT evasion cases, particularly in the construction and trading sectors. As regional and global tax transparency standards rise, Bahrain’s offshore financial centre status continues to attract scrutiny from international watchdogs, especially when linked to cross-border tax minimisation schemes.

10 Environmental Crime: Low-Medium Risk

Environmental crime in Bahrain is an emerging though currently low-priority threat, with risks concentrated around marine pollution, wildlife trade, and non-renewable resource smuggling. The Global Organized Crime Index highlights flora and fauna trafficking as growing concerns, although reported enforcement actions are minimal. Bahrain’s role as a transshipment point and maritime trade hub creates some exposure to illegal logging products, fishery violations, and marine biodiversity crimes. Environmental regulation is in place, but enforcement remains fragmented across agencies. Bahrain’s relatively limited forest cover and natural habitats somewhat constrain the scale of domestic environmental offences, though illegal sand dredging and coastal degradation have been cited by local NGOs as recurring issues. Environmental crime is not currently a primary predicate for financial crime enforcement.

Case Study

Al-Ashtar Brigades Financing

In 2024, Bahrain and the US undertook coordinated [actions](#) to disrupt the financial networks supporting the Al-Ashtar Brigades, a US-designated terrorist organisation linked to Iran's Islamic Revolutionary Guard Corps (IRGC). These joint efforts targeted key individuals and entities involved in facilitating the group's operations within Bahrain, where the Al-Ashtar Brigades have been responsible for a series of violent attacks and destabilising activities. Among those sanctioned was an Iran-based financier who played a central role in transferring funds to the group. This individual was instrumental in orchestrating the movement of money from sources in Iran into Bahrain, enabling the Al-Ashtar Brigades to plan and execute their operations. In 2018, the government of Bahrain charged numerous individuals linked to this network with terrorism-related activities, with a number of these individuals then fleeing Bahrain to evade prison sentences.

KEY TAKEAWAYS:

- **Cross-border terrorist financing remains a key vulnerability:** Bahrain continues to face exposure to terrorism financing networks, particularly those with operational links to Iran and the IRGC.
- **Use of external safe havens:** Individuals previously prosecuted or investigated in Bahrain have relocated to Iran, where they continue financing designated terrorist groups such as Al-Ashtar Brigades.
- **Use of Intermediaries:** Funds are transferred from foreign jurisdictions into Bahrain through covert channels—demonstrating a persistent typology of cross-border money flows through intermediaries and complex networks.
- **Geopolitical risk factors:** Bahrain's proximity to Iran and history of sectarian tension elevate the threat of foreign-sponsored extremist financing activities.
- **Importance of international cooperation:** Coordinated actions like the 2024 US-Bahrain joint sanctions effort are critical to identifying and disrupting financial facilitators of terrorism.

Why This Case Matters: This case underscores the persistent and evolving threat of cross-border terrorist financing in Bahrain, particularly from actors linked to regional instability. The Al-Ashtar Brigades case reveals how sanctioned individuals can exploit external safe havens, complex financial networks, and covert intermediaries. It also highlights the geopolitical vulnerabilities facing the country and the complex transnational financial and conflict financing elements regionally.

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Al Ashtar Brigades

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Al Ashtar Brigades

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Sanctions

Current sanctions for Al Ashtar Brigades

Sanction body: United Kingdom Home Office
United Kingdom Home Office
List of Proscribed Terrorist Groups
United Kingdom

Measures: Other

Event: Amended
Date: 2019-02
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Evidence
Date: 2019-02-27

Event: Added
Date: 2017-12
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Evidence
The precise aims of the ASG are unclear, but its objectives appear to include the establishment of a...
Date: 2018-08-29

Sanction ID: 24723

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Sanctions

Current sanctions for Hussein Ahmad 'Abdallah Ahmad Hussein Al-Dammami

Sanction ID: 48159

Sanction body: Office of Foreign Assets Control (OFAC)
OFAC - Counter Terrorism Sanctions
United States

Measures: Asset Freeze

Event: Added
Date: 2024-03-12
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Case Study

Misuse of Funds at the Jaafari Waqf Directorate

The Jaafari Waqf Directorate, an autonomous entity under Bahrain's Ministry of Justice and Islamic Affairs, was the subject of a high-profile financial misconduct [case](#) that came to light in 2021. The Directorate is responsible for managing Shia Islamic endowments (waqf), including significant real estate assets and funds designated for religious, charitable, and community purposes. In this case, two employees of the Jaafari Endowment were convicted by a Bahraini criminal court of embezzling public funds earmarked for the renovation of mosques. The court sentenced each to seven years in prison and imposed substantial financial penalties. Investigations revealed that the individuals had engaged in fraudulent procurement practices and illicitly diverted funds intended for religious infrastructure projects. In response to public concern, Bahrain's Council of Representatives launched a formal inquiry into the broader financial and administrative practices of the Jaafari Waqf Directorate. The parliamentary probe raised questions about internal controls, asset management, transparency, and accountability in the oversight of religious endowments.

Why This Case Matters: From a country risk perspective, this incident underscores ongoing challenges in Bahrain's public financial management and the need for strong safeguards in the oversight of government funding. It also illustrates the potential for financial crime within politically or religiously sensitive sectors, which may be underregulated or shielded from routine audits and transparency norms applied elsewhere in the public sector.

KEY TAKEAWAYS:

- **Asset misappropriation in state-linked religious bodies:** Endowment funds were diverted from their intended charitable and religious purposes.
- **Procurement fraud disguised as renovation projects:** Fraudulent contracting and misuse of mosque renovation budgets were central to the embezzlement scheme.
- **Weak Internal controls in semi-autonomous institutions:** The Jaafari Waqf Directorate lacked effective financial oversight, making it vulnerable to abuse by insiders.

Key Financial Crime Watchpoints

The following watchpoints highlight common financial crime risk indicators relevant to Bahrain. These are designed to support client risk assessments, enhanced due diligence, and transaction monitoring by identifying patterns associated with financial crime in the Bahraini context.

- **Exposure to Iran and Extraterritorial Sanctions:** Entities in Bahrain have been sanctioned by the US (e.g. Future Bank), highlighting ongoing risks of engaging with clients or counterparties linked to Iran. Due diligence should assess for indirect exposure to sanctioned actors or activities.
- **Use of Trade Hubs for Illicit Financial Flows:** Bahrain's location, free trade zones, and logistics infrastructure (including Khalifa bin Salman Port) create vulnerabilities for trade-based money laundering. Watch for inflated invoices, phantom shipments, or opaque supply chains routed through Bahrain.
- **NPO Transactions with Overseas Links:** Despite enhanced NPO regulations, the sector is not yet risk-differentiated. Transactions involving high-value donations, overseas transfers, or links to high-risk jurisdictions should trigger closer scrutiny.



- **Complex Corporate Structures and Shell Entities:** The use of front companies to move or obscure illicit funds remains a concern, especially in real estate and private investment channels. Enhanced CDD is critical for companies with opaque ownership or unusually complex structures.
- **Unlicensed Investment and Crypto Schemes:** Bahraini authorities have warned of criminals soliciting investment via social media or messaging apps, particularly related to crypto assets. Be alert to unregulated investment offerings, high-return promises, or new firms lacking regulatory records.
- **Cross-Border Fund Movements from High-Risk Jurisdictions:** Bahrain's financial sector has been exploited by regional actors for laundering schemes involving real estate, peer-to-peer trading platforms, and banking. Patterns of repeated cross-border remittances lacking economic rationale should be reviewed.

How Themis Can Help

Financial crime has evolved faster than traditional systems. Themis delivers a new AI-powered, end-to-end platform purposebuilt to help businesses detect, prevent, and respond to threats in real time. A modular solution that fuses advanced analytics, automation, and proprietary intelligence to tackle risk at scale and fast. As financial crime becomes more complex, Themis delivers clarity, speed, and impact. This isn't an evolution. It's the platform the future demands — powered by data, powered by Themis.

Themis aims to be a leader in applying AI-led solutions to the problems of financial crime, and we are uniquely placed to do so. With strong working relationships with governments and businesses of many shapes and sizes, our software is developed with the needs of the whole financial crime compliance ecosystem in mind. By combining a focus on innovative technology with

leading human intelligence and insight, Themis is capable of not only meeting those needs as they currently are but also anticipating them as they evolve in an uncertain future.

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Get in touch to find out more.

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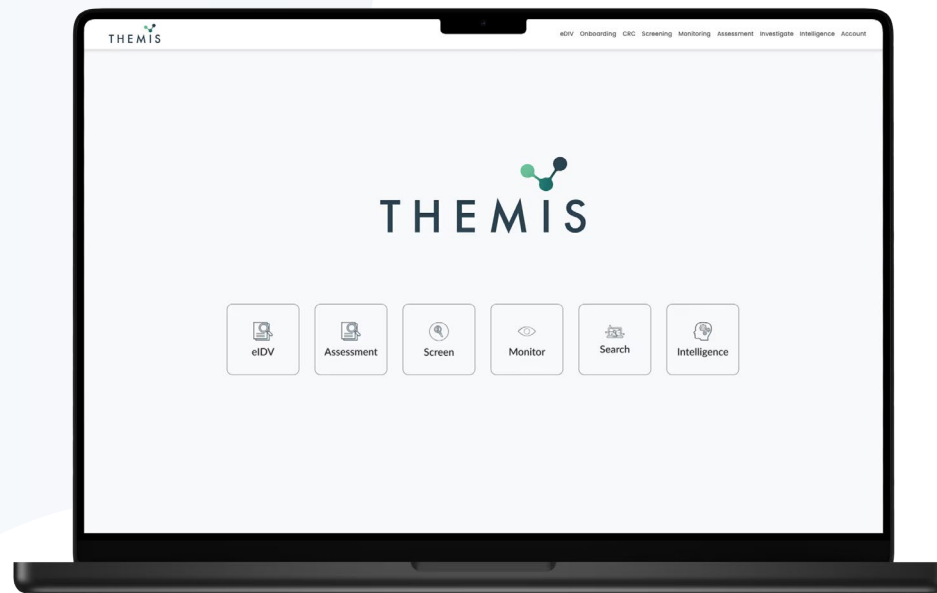
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