

Rasheed Mohammed Al Maraj: Fighting financial crime

Speech by His Excellency Rasheed Mohammed Al Maraj, Governor of the Central Bank of Bahrain, at the CBB-French Embassy Training Seminar on AML/CFT, Manama, 28 March 2007.

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Madame Ambassador, Ladies & Gentlemen, Good morning:

It gives me great pleasure to welcome you all here this morning, to what promises to be an instructive and important training event.

Let me start by thanking personally Her Excellency the French Ambassador, Madame Malika Berak, for her presence here today and her embassy's assistance in facilitating this event. We very much value the contribution made by various French institutions in Bahrain's financial sector, and this seminar marks a further development of our strong relations in the financial field. A special acknowledgement in this respect ought to go to BNP-Paribas, who are supporting this event financially, as well providing a speaker.

Let me thank also the various other presenters taking part in this event, particularly those who have travelled from overseas, for contributing their valuable time and expertise.

Financial crime of course is an international phenomenon, which requires a coordinated international response. It is appropriate, therefore, that we come together in events such as these and share our experiences. The informal contacts and collaborative working relationships that are developed during these events can be of great help as we work collectively to combat financial crime.

It may help set the scene if I say a few words about our approach in Bahrain to anti-money laundering, and what I see as the principal challenge that we face – some of what I am about to say will no doubt apply equally elsewhere in the region.

First, the government of Bahrain views the application of international standards as critical to the success of the Kingdom as a commercial and financial centre, and this basic premise has underpinned our efforts in the AML field as well, where we believe we have achieved a fair measure of success to date.

Over the past two years, significant efforts have been made in updating our AML framework. For instance, we have updated our existing AML law; updated our AML/CFT banking regulations; introduced new requirements for insurance and investment firms; and introduced an inspection regime for designated sectors and professions outside of financial services. Internationally, we worked hard to support the establishment of the MENA-FATF, and are now honoured to host its secretariat in Bahrain.

Having strengthened our framework to reflect the 2003 revision to the FATF standards, and the additional emphasis on combating the financing of terrorism, our focus is now very much on implementation. We believe that we have achieved a fair measure of compliance already, be it in terms of levels of reporting of suspicious transactions by banks, and in our successful conviction of persons for money laundering offences.

However, we would be the first to recognise that there is always more to do here. In particular, with relatively low levels of domestically generated criminal proceeds, the greatest risk of money laundering and terrorist financing comes from questionable proceeds that transit Bahrain and the region. Being an international financial centre, of course, the potential for proceeds to transit through our financial system is increased.

This poses particular challenges to our supervisors and law enforcement agencies. It means that we are more likely to be used by criminals in the layering stage of money laundering rather than in other stages of the process. To combat this effectively, we need to develop our training and tools to detect suspicious transactions, not only where the underlying offence occurred locally, but also where the offence may have occurred in another jurisdiction, quite possibly a distant part of the world.

This requires a sophisticated approach to transaction monitoring by institutions, and to investigations by law enforcement agencies. It potentially requires the analysis of complex financial trails which cross many international borders; close cooperation with overseas authorities; and resource intensive efforts to link the proceeds to a geographically remote underlying predicate offence.

This is the principal challenge that we now face, and that we are determined to meet as we continue to work on fighting financial crime. Events such as these, where we can benefit from the experiences and expertise of other jurisdictions, can make a valuable contribution in this regard.

On that note, let me finish by thanking you, once again, for your much appreciated participation; and to wish you all a productive two days.