



UNDERSTANDING POLITICALLY EXPOSED PERSONS (PEPS)

WHO AND WHAT ARE PEPS?

WHAT IS A PEP?

POLITICALLY EXPOSED PERSON

As defined by the Financial Action Task Force (FATF) a Politically Exposed Person (PEP) is person who has been entrusted with a prominent public function. The difference between a Foreign PEP and a Domestic PEP is the country which has entrusted the individual with the prominent public function.

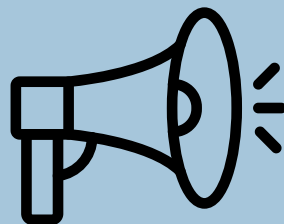
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WHO DOES IT INCLUDE?

WHO WOULD BE CLASSED AS A PEP

- You must have in place appropriate risk management systems and procedures to determine whether a customer or beneficial owner of a customer is:
 - A Politically exposed person (a PEP) or
 - A family member or known close associate of a PEP

WHY DOES IT MATTER?

WHY PEPs MATTER IN AML

- In accordance with the FCA, all regulated firms must apply a risk based approach to their customer due diligence and ongoing monitoring when dealing with high-risk customers, and this includes politically exposed persons. Such requirements are preventative and as per FATF recommendation 12, this does mean the refusal of a business relationship based solely on being a PEP.

WHAT FUNCTION DEFINES A PEP?

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 defines the following individuals entrusted with prominent public functions such as —

- Heads of state, heads of government, ministers and deputy or assistant ministers;
- Members of parliament or of similar legislative bodies;
- Members of the governing bodies of political parties;
- Members of supreme courts, of constitutional courts or of any judicial body the decisions of which are not subject to further appeal except in exceptional circumstances;
- Members of courts of auditors or of the boards of central banks;
- Ambassadors, charges d'affaires and high-ranking officers in the armed forces;
- Members of the administrative, management or supervisory bodies of State-owned Enterprises;
- Directors, deputy directors and members of the board or equivalent function of an international organisation.

HOW TO IDENTIFY PEPs

- A robust onboarding and ongoing monitoring process and AML/CFT procedures will allow a firm to apply a risk based approach in identifying whether you have a PEP as a client. Situations which might suggest you are onboarding or have a PEP client include:
- Real time screening matches i.e may have news reports suggesting your client has a role that defines them as is a PEP.
- Conversation/evidence with a client that links them to a PEP, i.e recently moved address and residing with a PEP.

HANDLING PEPS

- A robust risk based approach will allow you to analyse the exposure of the services provided and the PEP relationship. Many FIs categorise PEPs with a threshold; low, medium or high and this defines whether EDD measures are used or not and the frequency of ongoing monitoring.

STAY INFORMED AND COMPLIANT

- Understanding who qualifies as a PEP is crucial for compliance.
- Regular updates and training can help in managing risks associated with PEPs.

Under regulation 35, The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 a firm must:

- Seek senior management approval for business relationship (part of EDD).
- Apply adequate measures to under the SOFs and SOW and apply monitoring thorough the business relationship.



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