



# What is a Politically Exposed Person?

A Politically Exposed Person or 'PEP' is defined by the Financial Action Task Force as an individual who has been entrusted with a prominent public function. The position and influence held by a PEP carries with it the potential risk of being abused, specifically in relation to:

**Money laundering** // **Bribery and Corruption** // **Terrorist Financing**

It is therefore necessary to take anti-money laundering and counter-terrorist financing preventative measures when forming any business relationships with a PEP.

A person can be regarded as a PEP if they fall into any of the following categories:



## Executive Body

Heads of state, heads of government, ministers, deputy ministers and assistant ministers



## Legislative Body

Members of parliament (or similar legislative bodies), members of the governing bodies of political parties



## Judicial Body

Members of supreme courts, constitutional courts or other high-level judicial bodies



## Central Financial Auditors

Members of courts of auditors or of the boards of central banks



## Diplomatic Body

Ambassadors, chargés d'affaires



## Armed Forces

High-ranking officers



## State-Owned Enterprises

Members of the administrative, management or supervisory bodies



## International Organisations

Directors, deputy directors and members of the board (or equivalent function) of an international organisation



## Immediate Family Members of PEPs

Parents and children, siblings, spouses/partners, in-laws, uncles and aunts



## Known Close Associates of PEPs

Close business relations or joint beneficial owners of legal entities or legal arrangements, sole beneficial owners of legal entities which are set up for benefit de facto of the PEP

## The European Union Fourth Anti-Money Laundering Directive

Directive 2015/849 of the European Parliament and of the Council introduces a series of measures to ensure increased transparency of financial transactions and corporate entities.

The Fourth Anti-Money Laundering Directive stresses the importance of:

### Domestic PEPs

The definition of a PEP is widened to include citizens holding prominent positions in their home country.

### Family Members

The directive clarifies that family members of PEPs - parents, spouses or partners, children and their spouses or partners - are to be treated as PEPs.

### Tenure

It specifies that a person will remain a PEP for at least twelve months after holding their position of influence.

EU member states are responsible for implementing measures laid out in the directive by June 2017.

## Conducting Thorough Due Diligence

Organisations need to understand their local regulator's definition and their own risk exposure to assess who should be classed as a PEP. It is the responsibility of the compliance department to undertake a risk-based approach and exercise proper customer due diligence, even for seemingly low-risk lines of business.

As a best practice, the compliance department should:

- ✓ Put in place appropriate risk management systems, including risk-based procedures, to determine whether customers or beneficial owners of customers are PEPs
- ✓ Obtain senior management approval for establishing or continuing business relationships with PEPs
- ✓ Take adequate measures to establish the source of wealth and source of funds involved in business relationships or transactions with PEPs
- ✓ Perform enhanced, ongoing monitoring of those business relationships

## How Can Accuity Help?

Although doing business with a PEP is not illegal, it is every organisation's responsibility to identify the risks associated with its client base.

Accuity's Fircosoft portfolio of data-enabled solutions can help you by providing the comprehensive intelligence and intuitive technology you need to identify Politically Exposed Persons (PEP) and evaluate the level of risk in doing business with them.

For more information visit [www.accuity.com/compliance](http://www.accuity.com/compliance)

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