

**ANTI-MONEY LAUNDERING/COUNTER FINANCING OF TERRORISM /COUNTER  
PROLIFERATION FINANCING IN FOCUS**

**Part Fourteen:**

**An In-depth Look at the Financial Action Task Force (FATF) Forty Recommendations-  
Recommendation 12- Politically Exposed Persons**

By: The Attorney General's Chambers and the National Anti-Money Laundering Oversight Committee (NAMLOC)

The Financial Action Task Force (FATF) divides Politically Exposed Persons (PEPs) into two categories, namely foreign and domestic PEPs. As defined by the FATF foreign PEPs are “individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or of Government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials”. Conversely, FATF classifies domestic PEPs as “individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of Government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials”. Recommendation 12 of the Forty Recommendations examines this very important issue.

Recommendation 12 requires financial institutions when dealing with foreign PEPs to employ enhanced customer due diligence processes, which encompass greater levels of scrutiny, in order to verify the customer or beneficial owner. Furthermore, the financial institution is required to obtain approval from senior management to establish the business relationship or even continue an existing business relationship. If the decision is made to enter into the business relationship continuous monitoring must be done, in order to determine the source of funds and wealth.

In the case of a domestic PEP, the financial institution is mandated to carry out customer due diligence on that customer. Using the risk based approach (RBA), when higher risks are identified, it is incumbent upon the financial institution to employ enhanced customer due diligence measures, similar to those imposed upon a foreign PEP.

Section 18 of the Money Laundering (Prevention) Act, Cap.12.20 speaks to PEPs. It calls upon financial institutions and persons engaged in other business activities such as attorneys, real estate agents and jewellers (list not exclusive), to create policies and procedures for dealing with PEPs. The Act further provides that any transaction with a PEP must first be authorized by senior management and enhance customer due diligence is required on an ongoing basis.

Of note is the fact that family members and close associates of PEPs are themselves automatically considered to be PEPs. Therefore, customer due diligence and enhanced customer due diligence should be applied when conducting business transactions with such persons.

During the onsite visit from September 16-27, 2019, the assessors from the Caribbean Financial Action Task Force (CFATF) will thoroughly examine the compliance by financial institutions and persons engaged in other business activities with this Recommendation. One method used to determine compliance is the analysis of written policies and standard operating procedures for managing PEPs.

The list of businesses that fall under the category of Other Business Activities can be found in Schedule 2 of the Money Laundering (Prevention) Act, Cap. 12.20. For further information on this and the other Recommendations visit the CFATF's website at <https://www.cfatf-gafic.org>.