



FINANCIAL INTELLIGENCE AUTHORITY

The Supervision Unit

**Guidance to Financial Institutions and Other Business Activities  
on Politically Exposed Persons**

**(September 2021)**

## **Overview**

Section 18 of the Money Laundering (Prevention) Act (MLPA), Cap 12.20 of the Revised Laws of Saint Lucia and Sections 82 to 87 and Sections 134 to 137 of the Money Laundering (Prevention) Act Guidance Notes Regulations (MLPAGNR) for Other Business Activities (OBAs) (Sections 84 to 89 and Sections 141 to 144 of the MLPAGNR for Financial Institutions (FIs)) address the obligations of reporting entities as it relates to the identification and management of relationships with politically exposed persons.

## **Purpose of Guidance Notes**

The purpose of this document is to further supplement the guidance provided to reporting entities in the MLPA and MLPAGNR on implementing measures to adequately identify and manage relationships with politically exposed persons. The document also provides ways in which reporting entities can meet these obligations.

# Table of Contents

What is a Politically Exposed Person (PEP)? .....	1
The Risk Posed by PEPs .....	1
Methods of Identifying PEPs.....	2
Managing PEP Relationships .....	2
<i>Adopt A Risk-Based Approach</i> .....	2
<i>Customer Due Diligence Measures</i> .....	3
<i>Enhanced Due Diligence Measures</i> .....	3
PEP Monitoring and Screening.....	4
Training & Education .....	4

## What is a Politically Exposed Person (PEP)?

A Politically Exposed Person (PEP) is an individual who is entrusted with a prominent public function:

- in Saint Lucia,
- by a country other than Saint Lucia or;
- by an international organisation.

PEPs may be categorised as follows:

### **Domestic PEP**

An individual who holds a prominent public position or role in the Saint Lucian government/body.

### **Foreign PEP**

An individual who holds a prominent public position or role with a government body in a country other than Saint Lucia.

### **International organisation PEP**

Someone who holds a prominent public position or role in an international organisation.

Immediate family members and/or close associates of these individuals are also considered to be PEPs.

Examples of PEPs who hold prominent public functions in Saint Lucia and foreign countries include heads of state, heads of government, senior politicians, senior government officials, judicial officials, military officials, senior executives of state-owned corporations and important political party officials.

Examples of PEPs who hold prominent public positions in an international organisation include directors, deputy directors, members of the board of directors and members of senior management of organisations such as the International Monetary Fund, the World Bank or the European Union.

## The Risk Posed by PEPs

PEPs hold positions of influence as they often have power over government spending and budgets, procurement processes, development approvals and grants which make them targets for corruption and bribery attempts, and ultimately for money laundering or terrorism financing activities.

It is therefore important to implement AML/CFT/CPF measures to identify and manage potential risks associated with PEP relationships. However, it must be noted that being a PEP does not automatically mean that someone is involved in criminal activities.

## Methods of Identifying PEPs

Methods which may be used to identify PEPs include:

- Use of the FIA's domestic PEPs list (the list can be found on the FIA's website at [www.slufia.com](http://www.slufia.com))
- Self-declaration by customers of their PEP status
- Staff training to identify PEPs
- Open-source searches via the internet
- Use of due diligence screening software such as World Check, Thomas Reuters and Accuity World Compliance

## Managing PEP Relationships

In order to adequately manage PEP relationships, reporting entities are required to develop clear policies, procedures and controls regarding PEP relationships and implement appropriate risk management systems to identify customers or potential customers who are PEPs/acting on behalf of another person who is a PEP. As part of your AML/CFT/CPF programme, you must outline how you identify PEPs and how PEP relationships are managed. The following steps must be followed:

### *Adopt A Risk-Based Approach*

Once it has been determined that a new or existing customer is a PEP, you should undertake a risk assessment to determine both the level of risk posed by that customer and the proportionate levels of due diligence and monitoring that are required. The following factors should be considered when conducting a risk assessment:

- The customer's risk (including the nature of the position held by the PEP)
- Geographic risk (consider information available from reliable and independent sources as to the levels of systemic corruption in the country where the PEP resides)
- The products, services & transactions that the PEP will be accessing and their delivery channel

## ***Customer Due Diligence Measures***

Once the PEP has been subject to a risk assessment, you should apply standard customer due diligence procedures to verify the following:

- Full name/s used
  - Two (2) forms of valid government issued photo identification
- Date and place of birth
- Nationality
  - Passport or other government issued photo identification
- Current permanent address including postal code
  - A utility bill not older than three (3) months old
- Occupation and name of employer
- Specimen signature

## ***Enhanced Due Diligence Measures***

In addition to the standard customer due diligence (CDD) procedures listed above, reporting entities are required to implement enhanced due diligence procedures to manage PEP relationships. EDD measures should consist the following:

- understanding and documenting the title or position of the PEP and the country in which the PEP holds this position, including the length of time they have held this position
- obtaining senior management approval for the commencement of business relationships with customers who are PEPs or to continue business relationships with those who are found to be or subsequently become PEPs
- understanding and documenting the nature and intended purpose of the relationship, the source of the initial funds into the account (where appropriate) and the anticipated levels of business activity
- taking reasonable measures to understand and document the PEP's *source of funds* and *source of wealth*, that is, salary and compensation from official duties and wealth derived from other sources
- conducting negative news/adverse media screening on the PEP and evaluate any positive hits
- proactive monitoring of PEP accounts, so that changes can be detected and consideration as to whether the changes suggest corruption or the misuse of public assets.

## **PEP Monitoring and Screening**

PEP relationships should, using a risk-based approach, be subject to proportionate enhanced and ongoing monitoring to detect unusual and potentially suspicious activity. Existing customers who are PEPs should be subject to periodic reviews to ensure that their due diligence information remains current and the risk assessment and associated controls remain appropriate. The frequency of periodic reviews should be determined by the risk of the PEP and must be documented appropriately. Your PEP screening should occur in accordance with your risk appetite and must take place:

- As part of the onboarding process
- When performing periodic customer reviews
- When there is a trigger event which warrants a customer due diligence review

You should closely monitor the transactions of all PEPs, particularly those deemed to be of higher risk. If you suspect a transaction involves funds linked to criminal activity, you must submit a suspicious activity report (SAR) to the FIA.

## **Training & Education**

It is vital that the risk, policies, procedures and controls associated with PEPs are communicated to relevant staff and management, as they play a crucial role in identifying customers or potential customers who are PEPs and are the first line of defence in preventing and detecting ML, TF and PF. Therefore, the policies, procedures and internal controls in relation to the identification and management of PEP relationship should form part of the regular AML training programme.

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**End of Document**