

Wolfsberg Group Publication Statement
Guidance on Politically Exposed Persons (PEPs)

The Wolfsberg Group is pleased to publish updated guidance as to how Financial Institutions (FIs) should handle the money laundering risks posed by Politically Exposed Persons (PEPs). This updates the guidance initially issued in 2003 and the Frequently Asked Questions issued in 2008.

Addressing the financial crime risks posed by PEPs remains as relevant now as it did when the regime was first introduced in the early 2000s. Large corruption investigations suggest that defences need to remain strong to combat bribery and corruption in general and, in particular, need to remain vigilant when dealing with senior, important and/or prominent PEPs.

The updated guidance lays out what the Wolfsberg Group considers to be the most effective way of managing PEP risk, which is to position the PEP control framework as part of the risk based approach (RBA) to the identification and management of financial crime risk, specifically as part of a holistic customer risk assessment process. This guidance provides advice to FIs on how to achieve that and how to subject customers who may be politically exposed to a more tailored and risk based control framework.

At a time when standard setters are expanding the overall definition of who should be treated as “politically exposed,” for example by including domestic as well as foreign PEPs, it is important that FIs still focus the greatest effort on those PEPs who pose the very highest corruption risk, i.e. those genuinely in senior or prominent public positions and who have substantial authority over policy, operations, funds and accounts which provide opportunities to facilitate money laundering.

The definition of what constitutes a PEP should not be diluted by the inclusion of persons who may be in public life, but are not in a position to enrich themselves improperly, as this leads to an inefficient allocation of resources, poor customer experience and, in extreme cases, to the denial of financial services to those in public life, their relatives or close associates.

The Wolfsberg Group believes that there is more that many FIs can still do and we hope this Guidance will help those FIs in reviewing their PEP controls and, where appropriate, enhancing them. The Group has also long maintained that while FIs play an important role in helping to fight corruption, a multi stakeholder approach and public private partnership remains the best strategy. Beyond the banking sector, others have a more significant role to play in creating a more risk

based, efficient and effective PEP regime. The Group has notably highlighted the need for list providers to adopt a more risk based definition. In so doing, they would ensure that those on the lists effectively hold prominent positions, as well as providing guidance as to which countries' regulations prevent certain PEPs from holding offshore accounts.

While the Group has not highlighted further areas for improvement in this Guidance paper, we have long held and communicated views as to how further cooperation and a joined up multi stakeholder approach would help in combatting corruption even further. These actions could include:

- Governments to issue PEP lists relevant to their jurisdictions, clearly articulating any expectations with respect to the holdings of their PEP population, as well as requirements relating to disclosures of foreign accounts and assets. More broadly governments should also ensure that anti-corruption measures are strengthened.
- Reputable Media and Non-Governmental Organisations (NGOs) to highlight the most corrupt countries, regimes and those where credible evidence of corruption exists, making that information publicly available.
- Law enforcement to increase prosecutions, civil forfeiture actions or similar, including implementing tools to seize assets, for example, unexplained wealth order type tools to increase the level of assets seized. In enhancing these tools, they could share typologies and insights on the evolving nature of the risks and how the laundering of corrupt funds is being undertaken
- Regulators to adopt a more risk based approach to the way they assess FIs' PEP regimes, ensuring that this is not a tick the box exercise but an appropriate evaluation of whether FIs are assessing, and managing, risks of senior, important and prominent PEPs.
- Policy makers to bring greater clarity to the objectives for PEP regimes and identify where resources are most needed to achieve those objectives. This includes solid frameworks for cooperation and information sharing between law enforcement and the private sector, where information sharing amongst FIs, with appropriate safeguards, should also be considered.

Working together in this way will ensure that we can, collectively, make sure the financial system is a hostile place for those who seek to enrich themselves at the expense of the societies they have been entrusted to serve.

We hope that you find this new Guidance of interest and the undersigned, as well as the Wolfsberg Secretariat, remain at your disposal for further information or questions.

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