

# TIP OF THE MONTH



## Politically Exposed Persons (PEPs)

*The ability to determine if customers or beneficial owners are PEPs fully depends upon the effective implementation of Customer Due Diligence (CDD) measures as well as the effective implementation of a risk-based approach.*

### DEFINITION OF PEPs

Regulation 2 of the Financial Intelligence and Anti Money Laundering Regulations 2018 ([FIAMLR](#)) defines a foreign PEP, a domestic PEP and an international organisation PEP.

**Domestic PEPs** - individuals who are or have been entrusted domestically with prominent public functions in Mauritius and includes the Head of State and of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials.

**Foreign PEPs** – individuals who are or have been entrusted with prominent public functions by a foreign country, including Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, important political party officials.

**International organisation PEPs** – individuals who are or have been entrusted with a prominent function by an international organisation and includes members of senior management such as directors, deputy directors and members of the board or equivalent functions.

**Family members PEPs** – are individuals who are related to a PEP either directly (consanguinity) or through marriage or similar (civil) forms of partnership. Family members & close associates of PEPs should be determined to be PEPs because of the potential for abuse of relationship for the purpose of Money Laundering & Terrorism Financing (ML&TF).

**Close associates of PEPs** are individuals who are closely connected to a PEP, either socially or professionally and as such are also deemed PEP.

### STARTING OR MAINTAINING A BUSINESS RELATIONSHIP WITH PEPs?

Worldwide, it is extensively recognized that PEPs involve higher risk as a result of their political status (degree of power & influence), which may relate to bribery or corruption.

We highly encourage you to consider the FATF guidance on Recommendations 12 and 22 ([‘FATF guidance’](#)) on PEPs which requires implementation of measures to prevent the misuse by PEPs of the financial system and non-financial business & professions and to detect such potential abuse if and when it occurs.

The preventive requirements for PEP should not be interpreted as stigmatising PEPs as being involved in criminal activity.

Refusing a business relationship with a PEP simply based on the determination that the client or beneficial owner is a PEP is contrary to the spirit of FATF Recommendation 12.

As per FATF guidance, a PEP is defined as being someone who has been (but may no longer be) entrusted with a prominent public function.

# TIP OF THE MONTH



## Politically Exposed Person (PEP)

(Continued)

### DEALING WITH A PEP

According to Regulation 15 of the FIAMLR, a reporting person shall in relation to a PEP, whether as **customers or beneficial owners**, in addition to performing the Customer Due Diligence measures:

- a) put in place and maintain **appropriate risk management systems to determine** whether the customer or beneficial owner is a PEP;
- b) obtain **senior management approval** before establishing or continuing, for existing customers, such business relationships;
- c) take reasonable measures to establish the **source of wealth and the source of funds** of customers and beneficial owners identified as PEPs; and
- d) conduct **enhanced ongoing monitoring** on that relationship.

Regulation 12(1) (e) of the FIAMLR states a reporting person shall perform **Enhanced Due Diligence (EDD)** where the customer or the applicant for business is a PEP.

As part of Enhanced Due Diligence measures, reporting persons should keep a register identifying customers or beneficial owners who are identified as PEPs.

The Guidelines issued by FIU for the different supervised sectors (Dealers in Precious Metals and Stones, Real Estate Agents, and Individual Legal Professionals) may be consulted with regard to PEPs and related CDD obligations. These [Guidelines](#) are accessible on the website of the FIU.

### WHAT DOES THIS MEAN...

Establishing or continuing business relationships with PEPs, whether as **customers or beneficial owners**, should be based on an assessment of risks and not on prescribed time limits and revenue alone.

A risk-based approach requires that at a minimum the following be carefully considered as part of Senior Management approval of establishing or continuing such business relationships:

The risks for your organisation of establishing and continuing business relationships with PEPs.

These risks must be assessed against your organisation's ability to appropriately manage those risks in line with your internal risk appetite.

At the time of assessing risks, it is also recommended that the reporting person checks its ability to deal with potential issues that may arise as a result of business relationships with PEPs – such as (but not limited to) reporting person being unwillingly implicated in AML/CFT issues, legal issues, reputational crises etc...

It is highlighted that non-compliance with the FIAMLA or FIAMLR provisions concerning risk assessments, CDD, EDD and record keeping are offences under the law. Breach of the FIAMLR can, upon conviction result to a fine not exceeding one million rupees and to imprisonment for a term not exceeding five years. Contravention of the FIAMLA's provisions in relation to risk assessments, CDD and record keeping result in a fine not exceeding 10 million rupees and to imprisonment not exceeding five years upon conviction.