



Politically Exposed Persons and Enhanced Due Diligence

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Customer Due Diligence (CDD)

- **Stage 1 - IDENTIFICATION** is establishing who your customer is.
 - Picture ID – displaying full name
- **Stage 2 - VERIFICATION** is proving who your customer is.
 - Other picture ID, proof of address, police record, bank statement

CDD (Cont'd) – Know Your Customer

- **KYC** is understanding:
 - Who your customer is
 - Where they are
 - What they do
 - Who they do it with
 - Why they are using your services
 - Why they are using your services now
 - What will their proposed activity look like

KYC – (Cont'd)

- **KYC** is also understanding:
 - Is your customer politically exposed?
 - Does your customer pose any level of greater risk than other customers and why?
 - Is your customer a sanctioned individual or entity?
- ***One MUST be satisfied with a customer before taking on a business relationship***

ID&V, KYC & Customer Due Diligence (CDD)

So, here comes the math!

ID + V + KYC = CDD

- **Note:** CDD must be ongoing

Product/Service Risk

- Is your customer tied to any unlawful groups or goods?
 - Smuggling, drug/human trafficking, ammunition
- Are the services you provide or requirements of your customer risky?
 - Bearer shares
 - Nominee Shareholding/Directorship
 - Complex transactions beyond your scope
 - Banking services
 - Shell companies

Country Risk

- Examine country's FATF standing
- Has the country been cited for FATF non-compliance
 - High-risk and Non-cooperative Jurisdictions are posted on FATF website
 - Continuous monitoring needs to be done

Politically Exposed Persons- (PEPs)

- A person who is/was a prominent public figure
- Ministers of Government; Permanent Secretaries and the like
- Who else?
 - Immediate family – spouse, kids, parents, grandparents
 - close associates – business partners, joint ownerships

PEPs – (Cont'd)

- International standards requires **ALL** PEPs to be regarded as **High Risk**
- New FATF Legislation will cover local PEPs
- A register of ALL should be kept
- One must IDENTIFY and RE-VERIFY his customers
 - Name, marital status, address, nationality, date of birth

Enhanced Due Diligence – (EDD)

- Board or Senior Management must approve
- Documents to include source of funds and source of wealth
- Enhanced monitoring
 - frequent reviews of transactions, periodic interviews
- Regular re-verification
 - Reports from independent experts

CDD/EDD Tools

- Most business is done through third parties and non face-to-face communication
 - Further increases risk
- Verification tools
 - Google
 - Google earth and maps
 - Social Networks
 - LinkedIn, Facebook
 - Intelligence websites (Subscriptions)
 - World-Check, C6-Intelligence, LexisNexis

Helpful Reminders

- Do not be afraid to ask questions
- Avoid tick boxing/rubber standing
- Follow your instincts
- Scrutinize contracts and other documents
- Look for what does not make sense
- Verification is continuous
- The risk lies with **YOU**